

BREAD, SWEAT, AND TEARS?
The Ascendancy of Capitalist Accumulation Strategies
in the Russian Republic of Karelia, 2001-2002

by

Mark Wesley Abbott

BA, Albion College, 1989

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This dissertation was presented

by

Mark Wesley Abbott

It was defended on

March 28, 2008

and approved by

Joseph S. Alter, Professor, Department of Anthropology

Harry Sanabria, Associate Professor, Department of Anthropology

Jonathan Harris, Professor, Department of Political Science

Robert M. Hayden, Professor, Department of Anthropology, Dissertation Advisor

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This dissertation is an ethnographic study of small business entrepreneurship and developing capitalism in the Russian Republic of Karelia. The entrepreneurial-minded individuals at the heart of my research began organizing labor and production in the mid 1990's to create businesses that are now thriving within a spirit of capitalism that is emerging locally as a part of their efforts. Their energy and imagination unite Western-inspired ideas with Soviet-era structural continuities to accumulate capital at impressive rates. I examine the inner workings of their enterprises and the business networks within which they operate, focusing both on labor control and on how the entrepreneurs effectively socialize and retain workforces that can withstand the demands of a new market economy. This dissertation is based upon 15 months of field work in 2001-2002, which included months of participant-observation as a production worker in commercial cake and bread bakeries and also extended interactions with entrepreneurs and their managers.

I use the language and concepts from the French Regulation School, which focuses on how regimes of capital accumulation operate and the regulating forces and institutions necessary to sustain them, to explore the relationship between structural continuities from the Soviet mode of regulating the economy and the emerging capitalist regime of accumulation. In this way, I focus on the underpinnings of capitalist circulation in Karelia—the ways in which individuals, institutions, and sectors are coordinating a process that at its essence seeks to reproduce social

life through commodity production. I draw two fundamental conclusions from my research. First, Russia's shift to a capitalist system of accumulation, especially within the small business sector of the economy, has been less problematic than many scholars have understood or acknowledged. Second, anthropological investigations of capitalism must focus on the general logic of the underlying structures that control, promulgate and replicate the conditions necessary for capital to effectively accumulate, in addition to the unique characteristics associated with particular capitalist economies.

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PREFACE

Doing good while doing well was the honest, if a bit clichéd, goal of a group of Midwestern businessmen embarking on a business (ad)venture in capitalism's newest wild west. Pledging to help Russia's fledgling capitalist economy by modeling 'western' business practices, their aim was to make a fortune investing and trading in natural resources through the creation of a Russian-based trade and investment firm in the early 1990s. The Chairman of this American investment group, an industrialist from St. Louis, was a close friend of the U.S. Russian Ambassador at the time. The Ambassador introduced the Americans to a deputy prime minister from the Autonomous Republic of Karelia, who would go on to be the group's host and chief proponent in the Republic.

Karelia is situated north of St. Petersburg and south of Russia's Murmansk region sharing a long border with Finland. It is the only place Russia neighbors a European Union country. As a recent college graduate with some Russian language skills, experience working on a student exchange program in socialist Russia, and a healthy sense of adventure, I agreed to help the group establish its office in the Karelian provincial capital of Petrozavodsk in 1991.

The time I spent in Russia for the Americans laid the groundwork, almost a decade later, for this dissertation. My experiences provided a longitudinal context and perspective for understanding the wrenching changes in the lives and livelihoods of people at the center of

my ethnographic research. It also allowed me to develop a network of friends and associates that provided me entrée for my research into the typically inaccessible business/personal circles of several Russian families, their affines, and the business empires they created out of the chaos associated with the undoing of socialism.

The Americans began their Russian foray by dispatching gift-laden investor delegations to survey the scene and lend their particular acumen to the various investment opportunities presented to the group. By the spring of 1992, we had registered the company as a *wholly foreign-owned firm*—a first, we were told, in all of Russia at a time when joint-ventures were the norm—and hung out our placard for business. These were the euphoric days of Russia’s experiment with capitalism and, even as the West’s neoliberal prescription for Russia’s economic ‘transition’ caused the economy to implode, the air was ripe with possibility.

A parade of would-be Russian entrepreneurs arrived at our door from the first day we set up shop. From a fellow who had befriended a somewhat tipsy member of our Board of Directors on the overnight train ride from St. Petersburg, and now loitered weekly in the dank stairwell of our 5th story walk-up office hocking ladles-full of ‘fresh’ caviar from a metal bucket, to the leather-clad duo nervously peddling M-8 helicopters that they said ‘had to be bought immediately,’ it seemed as though everyone in Russia had become a *biznesman* overnight. The Americans, however, were interested in investing in the seemingly endless projects associated with wood harvesting and processing, which accounted for nearly 60 percent of Karelian economy at the time.

If the business opportunities were dizzying for the Americans, our gifts were equally so for the Russians. The ‘humanitarian support,’ as we referred to our largess, surpassed the

usual business accouterments—click pens, business card holders, and calculators—that were popular at the time, to include shipping containers of surplus medical supplies and equipment and promises of low-cost and free pharmaceuticals for the state-run hospital. The gifts came at a time when the Russian economy was in a free-fall. Consumer price liberalization and the floating currency wiped out personal wealth overnight and paralyzed food and durable goods manufacturing, distribution, and sales. I arrived in the middle of winter in Petrozavodsk to freezing temperatures, completely empty store shelves, and, as I would find out, critical shortages of everything from children’s pharmaceuticals to insect spray that protected foresters from mosquito-borne illnesses.

Our gifts were distributed through folks the Americans deftly labeled as our ‘local sponsors,’ intuitively, if not fully, understanding the importance of the patronage networks used by local and regional politicians to build and maintain their spheres of influence and power. The gifts led in circuitous paths to favors big and small for the Americans, including a railroad company local phone line that provided us a St. Petersburg exchange (we were located 300 miles North of St. Petersburg); a generous five year Karelian tax abatement; and liberal interpretations of rules regarding the ‘closed-type’ privatization scheme for a particular wood processing plant the Americans wanted to purchase.

Looking back over the last 15 years, this big favor—the closed privatization of a *lespromhos* (a wood cutting and processing operation) so that a 49 percent share could be sold to the Americans—was a change that had far-reaching and demonstrable impact on both the success of the enterprise and the personal careers of the managers-cum-owners on the Russian side who benefited from the transaction. In fact, while the story of how the director of this privatized facility and later his son would parlay their unique position of running a privatized

closed joint-stock company (ZAO) into successful political careers is somewhat tangential to my dissertation, it illustrates how what I call *cultural transaction points*, or specific events at an identifiable place and time, can create circumstances that lead to demonstrable outcomes in the future.

In general, however, foreign investment in Karelia was seemingly insignificant in 1992. The number of newly incorporated joint ventures in Karelia numbered in the low dozens, and the foreigners living in Petrozavodsk could be counted on one hand. Even so, these firms and the foreigners who represented their interests touched an innumerable number of everyday Russians in this city of 280,000.

Take for instance, Ben and Jerry's Ice Cream, which was by far the most high profile foreign presence in town at the time. This American icon for entrepreneurship exported an entire factory to Petrozavodsk, replete with black and white cows on the walls and its norms for quality control, customer service, staff training, product packaging, and marketing. Although Ben and Jerry's came to Russia as part of a cultural exchange between the sister states of Vermont and Karelia and the venture was not envisioned as a money making project, it was a huge success. In its first summer of operation the store was actually more profitable than many of the firm's branches in the United States. The rarely pleasant activity of queuing became the social event of the summer. Everyday from ten in the morning until closing 10 hours later, the line for ice cream stretched down the gently sloping Karl Marx Prospect some five blocks to the shore of Lake Onega. Never mind that inflation was in the high double-digits and the exchange rate was rocketing upwards, everyone, it seemed, wanted a taste of the future.

I can remember the store's line being filled with chatter about the amazing flavors of ice cream—banana and apple pie to name two. In fact, from my observations, the wait for ice cream was due as much to patron indecision as it was to demand. The whole phenomenon was somewhat ironic given the fact that Russians made their own ice cream, which was, and remains, a point of pride and a treat enjoyed year-round on the streets of Petrozavodsk.

Two of the many Russians caught up in the Ben and Jerry's juggernauts that summer were Galya and Anna—sisters who started a bookkeeping business in 1990 to capitalize on the fact that, as they would put it, “to survive in Russia you have to know Russian accounting laws and how to ‘keep’ the books.” Ben and Jerry's was their first client and they were introduced to the firm through Galya's husband who was a partner on the Russian side of Ben and Jerry's joint-venture agreement. The story of how these women, one trained as a bookkeeper, the other as a doctor, would parlay their experience with Ben and Jerry's into a corporate mini-empire that would put them at the center of commerce and politics in Karelia a decade later is at the heart of this dissertation.

One postscript to the American investor's adventure is captured in the remembrance of a Russian who was familiar with the Americans' efforts in 1992. When I became re-acquainted with him in 1999 he remarked:

Oh yes, I remember those Americans, they just didn't understand Russian business...Here you have to be quick and decisive...you cannot plan and plan or be too cautious because the opportunities will pass by...

I could not help but think of how offended the titans of Corporate America would have been by this commentary, or how accurate this Russian's assessment of their efforts was. The Americans had left Petrozavodsk after another three years of mixed results in trading lumber

and no success in exporting value-added wood products. The failure of the latter activities probably had as much to do with demand for lumber in Europe and the U.S. at the time as it did with the challenges inherent in working in Russia during this period. Ben and Jerry's pulled up stakes at about the same time, leaving their Russian partners to fend for themselves. However, through some quirks in the joint venture agreement Ben and Jerry's was forced to allow them to keep selling ice cream under the Ben and Jerry's trademark. By 1999, the Russians' stock of Ben and Jerry's printed ice cream containers and flavor additives were running so low there was never any guarantee that the label on the ice cream container would match the flavor inside, which provides a great metaphor for trying to understand and analyze Russia's version of capitalism—it looks like Ben and Jerry's, the texture is about right, but you don't know the flavor until you take the top off and have a taste.

1.0 THE POLITICAL ECONOMY OF RUSSIAN ACCUMULATION STRATEGIES

1.1 INTRODUCTION

One of the main findings in this dissertation is that the emergence of a Russian capitalist system of accumulation had a shorter, less problematic distance to travel than most scholars have understood or acknowledged. I use the term ‘emergence’ to avoid the teleological pitfalls associated with ‘transition’ as well as the sentimentality of holding out for a ‘transformation’ to a new, third form of market economy.

My observations and conclusions are based upon an ethnographic investigation of Russian entrepreneurs¹ in the Russian Republic of Karelia (*Respublika Kareliya*) that own private (*chastni*) enterprises. I focus in large part on the general underlying structures in the Russian society and economy that impede or promote the success of these enterprises. The responses and subjectivities of the entrepreneurs, wage earners, and managers who work in the enterprises I investigated are also central to this dissertation

It is fitting on several levels that the entrepreneurs I studied, and in a sense collaborated with to produce this dissertation, first ventured into private business by baking bread. From the bread riots at the time of the 1917 revolution... to meager bread rations that helped keep the population of Leningrad alive during the 900-day siege (*blokada*

¹ I use three classic characteristics of an entrepreneur—achievement motivation, risk-taking propensity, and preference for innovation (Stewart, et al 2003)—as relative criteria for classifying the businesspeople I studied as entrepreneurs.

Leningrada)... to infamous stories of farmers feeding their pigs bread because it was cheaper than livestock feed in the soviet economy, the symbolic and cultural heritage of bread is undeniable. As it relates to the title of this dissertation, the importance of bread is multi-fold. First, the entrepreneurs I worked with arrived at the decision to make bread by chance, circumstance, and hard work—themes that resonate throughout this dissertation and with all Russians that lived through the upheavals of the 1990s. Second, the symbolic and financial import of a private enterprise taking on formerly State-owned bakeries by offering a myriad of cheaper, better tasting alternatives to Russia's beloved bread by using market principles and capitalist imagery was not lost on the entrepreneurs, their competitors, or the Karelian government. The emergence of small, private businesses as a source of political and socio-economic power had implications for both the entrepreneurs and the people that worked for them. And finally, the willingness of the workforce to be disciplined and productive enough to make baking and selling bread as seemingly lucrative as printing money, which is captured in one baker's sentiment: "A roof over my head and a belly full of warm bread...I really can't ask for much more," illustrates a third point. This quote highlights workers' accommodations and relative lack of power to the demands of a capitalist economy, which is also a central theme in this dissertation.

My approach to the study of capitalism in Karelia is somewhat in contrast to anthropologists who have endeavored to show how the various machinations of capitalism and individuals' responses to it are unique around the world: from Verdery's (1996) 'political capitalism' in Eastern Europe to Hutchcroft's (1998) 'booty' capitalism in the Philippines and Bestor's (1998) cliques and cartels in Japan's fish markets, these works are concerned with how capitalism interacts with local economic and social systems. This important line of

inquiry is seductive—trekking to the frontiers of capitalism to investigate the mechanics of local social processes and reporting back capitalism’s unique adaptations and opportunities for rejecting or mitigating its influences—and seems more fulfilling (and publishable) than returning from the field and reporting on the vast structural similarities between ‘western capitalism’ and its fledgling cousins.

The challenge with typification of this nature is that it invites comparisons to often essentialized versions of ‘western capitalism’ that make implicit assumptions about how western capitalist economies function. As a result, the analyses may end up masking similarities that could be the best guideposts for understanding the development of Russia’s capitalist-based economy. For example, anthropologists, sociologists, and others have written extensively and often derisively on the role of formal and informal networks/groups in the economies of Eastern European and Former Soviet Union countries (see Chapter 4), but they rarely discuss the robust literature on capitalist networks in western economies (cf Murray 2006) or the specific literature on positive and negative aspects interlocking Corporate Directorates (cf Mizruchi 1996; Carroll and Alexander 1999). Likewise, family-run businesses in Russia are labeled as ‘clans’ or cliques, whereas the closest western facsimile might simply be a ‘family business.’

I place a renewed emphasis in this dissertation on the underlying structures that control, promulgate, and replicate the conditions necessary for capital to be effectively accumulated. The reflexive interrelations of these structures with individuals are creating a coherent, reproducing body of laws, habits, and norms that support the capitalist system now in operation in Russia.

I follow Sewell's (2005) lead in conceptualizing structures in a way that recognizes the role of social actors in creating and changing structures. Sewell clarifies and strengthens Giddens's (1984) notion of a duality of structure by suggesting that structures have a dual *character* composed simultaneously of schemas (or rules) that are virtual or abstract in nature, and of resources, which are actual and can be classified as either human or non-human, but in each case are controlled by individual members of society (2005:133). Under this understanding, schemas produce resources, but schemas are also the effects of resources (2005: 137). The resources generated must be sufficient to empower or regenerate the schema or they will be abandoned. Power in this definition is manifest in the resources. As resources become available to different actors—in the case of my research, women entrepreneurs—the schemas influencing how various actors behave can be changed.

My research shows that the power once shared by Russian workers under socialism (Burawoy and Krotov 1993; Clarke 1993) eroded throughout the 1990s, and that the new, asymmetrical power relations are a product of the successful adoption and manipulation of technologies, ideas, and images associated with western capitalism and of a basket of policies, norms, and traditions from the former socialist order that were well suited for supporting capitalism. I follow Boyer (2007) in using capitalism as an analytical concept. Stripping ideology from the term, he calls capitalism “a legal regime, an economic system and a social formation that unfolds in history and that is built upon two basic social relations: the market competition and the capital/labor nexus” (2007:4).

I focus much of this dissertation on labor management and production strategies in a half-dozen or so food production and distribution enterprises; the owners of which take distinctly different approaches to the hiring and management of their workforces. By

documenting and analyzing employee policies and relations in these enterprises, my research sheds light on the hegemonic potential of capitalist ideology and mode of production writ large in Russia.

The family from which I draw these conclusions and with whom I conducted my research is led by sisters Galya and Anna. Each have three children and their families have had a long association with Western influences and institutions through sport and cultural exchanges promoted by the Karelian government going back to the late 1980s. Chapter 3 describes the various enterprises now operated by the family, which include a café/bar and three bakeries. Galya's and Anna's husbands play a role in running the bread bakery and have input in all business decisions, which are generally made by consensus; but Galya maintains disproportionate influence say by virtue of her day-to-day oversight of business operations.

Much of this dissertation focuses on Galya as the matriarch of the family. With a mop of dark wavy hair and a proclivity for wearing jeans and smoking cigarettes (and occasionally cigars), Galya is a formidable businesswoman who runs her enterprises with a gritty determination, a flare for the creative, and a relentless drive to bring innovation to her business efforts. The family's network of enterprises started with a bread bakery in the mid-1990s, which came into being as an opportunity associated with acquiring used commercial ovens from Germany with capital financing through a Moscow-based brother of the only non-family member who could be considered a partner in Galya's enterprises.

The café/bar that became the lifeblood of the network was the second business Galya opened, followed shortly by two other bakeries that were initially intended to just provide the café with a steady supply of new, interesting, and high-quality baked goods at a time when

they were hard to attain. Beyond creating an important vertical supply chain for the café, the new bakeries served to cement horizontal commercial relationships that not only made money for the family but tied the enterprises to important political-economic networks of relationships that minimized many of the traditional impediments to doing business in post-socialist Russia (e.g. access to credit, protection from over-zealous regulators, favorable terms for off-the-books transactions, etc.).

In addition to Galya and Anna I worked with two male entrepreneurs, each with their own enterprises—one a specialty cake maker and the other a wholesale food distributor—that I spent a considerable amount of time with as well. Their management styles and business strategies contrasted in many ways to Galya's, which has important implications for understanding the effectiveness of different business management strategies.

My research extends Ong's (1991) argument that different modes of production can be seen as generating a *field of force* related to alternative symbol systems through an analysis of how women entrepreneurs use what I call *gendered capital* for the expression and legitimization of power and control in the workplace.

Most ethnographies of capitalism acknowledge that the communities under scrutiny are linked to larger social, political, and economic orders in which they are embedded but go on to focus on mostly local events and processes. My project does this as well but also confronts the issues of how to empirically and causally link the local with the national and global by identifying a series of semi-autonomous social fields (Moore 1973) and explicating how these fields influence processes of production and labor management, which in turn shapes the experience of working in Russian private businesses.

Moore suggests that a social field observable to anthropologists at the local level be analyzed for its semi-autonomy as it can “...generate rules and customs and symbols internally, but it is also vulnerable to rules and decisions and other forces emanating from the larger world by which it is surrounded” (1973: 170). She notes:

The Semi-autonomous social field is defined and its boundaries identified not by its organization (it may be a corporate group, it may not) but by processual characteristic, the fact that it can generate rules and coerce or induce compliance to them. Thus any arena in which a number of corporate groups deal with each other may be a semi-autonomous social field. Also the corporate groups themselves may each constitute a semi-autonomous social field. Many such fields may articulate with others in such a way as to form complex chains, rather the way the social networks of individuals, when attached to each other, may be considered as unending chains. The interdependent articulation of many different social fields constitutes one of the basic characteristics of complex societies (1973:170).

Moore also notes that “...social arrangements can be effectively stronger than new laws at affecting change and importantly, that the processes that make internally generated rules effective are often also the immediate forces that dictated the mode of compliance or non-compliance with state-made legal rules” (1973:721). Her observations are remarkably prescient with regard to the initial failure of neoliberal legal reforms associated with shock therapy in Russia in the early 1990s but also to the eventual adaptation and eventual success of the reforms and practices that resulted from those initial policies. Moore’s observations that local norms and rules are often, if not determinant, certainly necessary for effective legal reform, buttress my observation that socialist-era social relationships, traditions, and

workplace norms have been important forces in the successful adaptation of a capitalist economy in Russia.

I conducted research on the relationships within what I believe are four definable semi-autonomous social fields: 1) the owners and directors of small private firms and their immediate families; 2) the interlocking enterprises joined by ties of affinity and consanguinity; 3) larger informal networks of enterprises and political affiliations that rely on tight allegiances and complex systems of reciprocity to survive and thrive; and, 4) local and state governmental structures and the business interests that influence them. I attempt to ‘study through’ (Wedel 2005) each of these localities from the perspective of how they impact or are influenced by each other and the experience of the shop floor workers.

1.2 DISSERTATION OVERVIEW

Chapter 1 provides a brief overview of the Republic of Karelia, my research sites, the research methodology I employed, and a detailed review of the political economy literature in anthropology related to the study of capitalism and spread of neoliberal ideology, which has helped me frame the direction and central research questions this dissertation addresses.

Chapter 2 provides an examination of the Karelian economy and infrastructure by focusing on issues such as economic growth rates, population demographics, and labor issues and policies in the Republic, which have direct bearing on the businesses and livelihoods of my informants. Chapter 3 describes the complex relationships, goals, and strategies of both Galya’s network and several related business networks with which she interacts. The nature

and role of both formal and informal business groups are discussed in this chapter as well as a more detailed description of enterprises and entrepreneurs who run them.

Chapter 4 focuses on labor and production issues within the businesses I researched by exploring labor control strategies—described by Harvey as “...an intricate affair [that] entails ...some mix of repression, habituation, co-option, co-operation...” of the workforce both in the workplace and in society in general (1996:122) employed by Galya, which include a modified Soviet-era system of rewards and fines that is based on an innovative computerized inventory control system and also use of an ideology of ‘new capitalism’ that focuses on preserving employee livelihood through quality production and efficiency.

Chapter 5 explores the gendered aspects of my field research by focusing on how women entrepreneurs and managers use their identities as mothers, primary household providers, and entrepreneurs as management techniques and to accumulate and use political and economic capital. This chapter necessarily explores the role that politics and holding political office plays in Russian commerce.

The concluding chapter reviews the case for how capitalism emerged from the chaos of the early 1990s within Russia. Beginning with a review of the theoretical framework that broadly captures social processes and structures integral to capitalist economies, this chapter summarizes the evidence presented in each chapter of the dissertation.

1.3 THE RESEARCH SETTING

Karelia is situated in northwest Russia, forming part of the North-Western Federal District of the Russian Federation (Figure 1). Karelia has a land area of 180,000km² or just

over one percent of the territory of the Russian Federation. To its west, Karelia has a 798km-long border with Finland; to the south, it borders the St. Petersburg and Vologda regions, to the north the Murmansk region, and to the east the Archangelsk region (Figure 2).

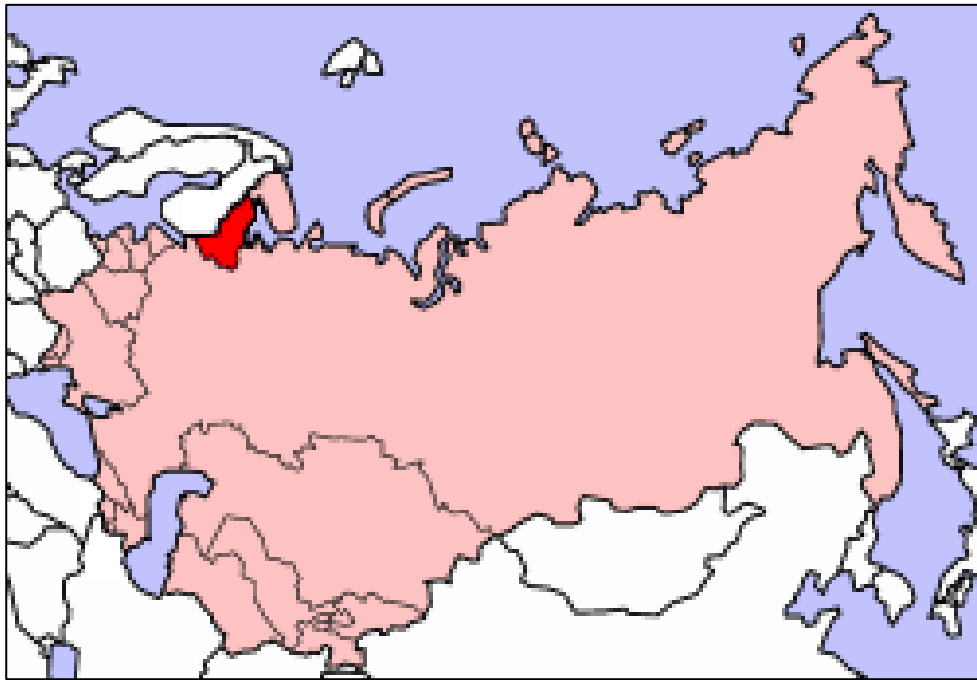


Figure 1. Russian Republic of Karelia on the Russian map
Source: Wikipedia

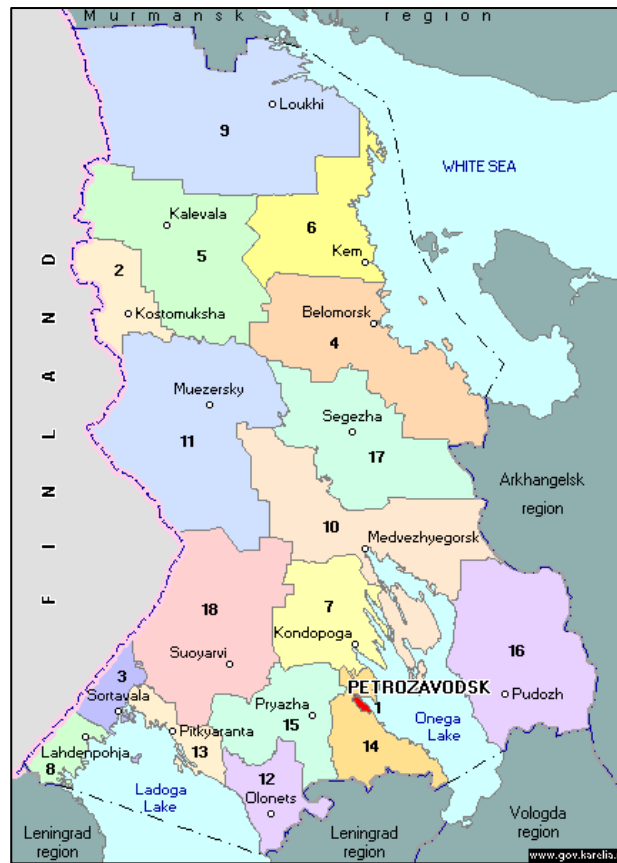


Figure 2. The Administrative Regions of Karelia

According to the 2006 All-Russian Census, the population of the Republic of Karelia is 716,000 with the urban population comprising 75 percent of the total population. The capital city of Petrozavodsk, where my research takes place, has 37 percent of the Republic's population, or about 265,000 people. The Republic's population is composed of 73.6 percent Russians, 10 percent Karelians, 7 percent Byelorussians, 3.6 percent Ukrainians, 2.3 percent Finns, and 0.8 percent Vepsians.

Twenty five percent of Karelia's surface area is water with over 60,000 lakes, including the two largest freshwater lakes in Europe—Lake Lodega and Lake Onega—and 24,000 rivers and streams. Approximately 49 percent of the republic is covered with pine and fir tree forests. The Karelian economy is driven primarily by natural resource extraction and

processing (timber, wood processing, pulp and paper, ferrous metallurgy, and building materials), as well as machine-building and non-ferrous metal industries, which use imported raw materials. For a land mass encompassing one percent of the Russian Republic and a population that is even smaller, the Republic's production rates are impressive, including 10 percent of iron, 23 percent of paper, nine percent of pulp, 7.3 percent of manufactured wood, and four percent of sawn timber; also, about 60 percent of the paper sacks in Russia are made in the Karelian Republic². Most official maps, at least those published by the Karelian government, show the proximity of Karelia to Europe's eastern edge as opposed to the Republic being Russia's north-western frontier (Figure 3). This orientation figures prominently in more than just spatial terms, with the government's economic and social policies encouraging more cultural integration and economic collaboration with the Republic's western neighbors.

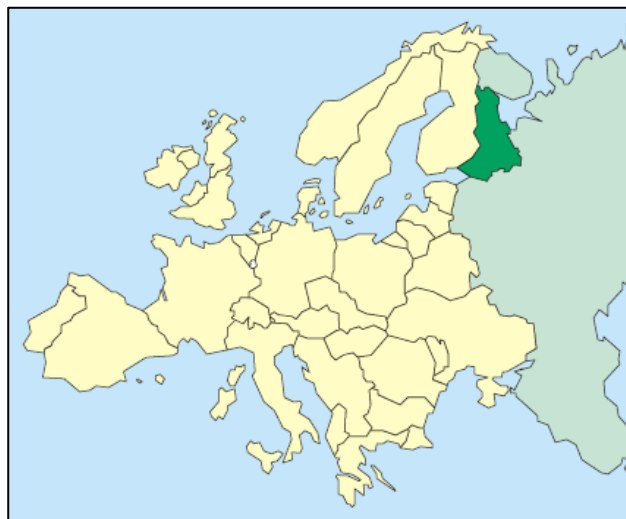


Figure 3. Karelia in a European Context

Source: 'Passport of the Republic of Karelia' Feb 2007

http://www.gov.karelia.ru/gov/Different/karelia_e.html

² Source: *Karelnomstat (2002), Social and economic situation in the Republic of Karelia from January-June 2003, Petrozavodsk: Karelnomstat 2002.*

The Karelian Border and the official designation of the Republic has changed many times in the 20th century (Table 1). Taken from the official Karelian government Web site, Table 1 shows the chronology and language used to talk about changes in Karelia:

Table 1. Karelian Historic Milestones

July 23, 1923	Karelian ASSR is established
1929	Konopozhskaya pulp and paper mill is the first enterprise of pulp and paper industry in Karelia
March, 31 1940	Karelian ASSR is reestablished into Karelian-Finnish SSR
June 1941	The Great Patriotic war begins
December 1941	The Soviet troops seize territory of Karelia
June-September, 1944	Karelia is set free from German-Finnish aggressors
July 16, 1956	Karelian-Finnish SSR is reestablished into Karelian SSR
August 9, 1990	State Sovereignty of Karelian ASSR is adopted by the Supreme Soviet of the Republic
November 19, 1991	Karelian ASSR is renamed the Republic of Karelia

The USSR annexed the Karelian province from Finland in 1940, only to have it taken back by the Finns during the early years of World War Two. The Soviets succeeded in taking back Petrozavodsk in one of the largest ground offenses of the war in June of 1944. The Soviet Union incorporated the newly taken territory with the previous Karelian Autonomous Republic to form the Karelo-Finnish Soviet Socialist Republic (KASSR), which had the status of a union republic in the federal structure of the Soviet Union. In 1956 the Republic was changed to an *Autonomous* Soviet Socialist Republic (ASSR), which was a down grade in status in the Soviet classification system for its territories. The status changed again in 1990 to the Karelian ASSR and again in 1991 when the name became the Russian Republic of Karelia (*Respublika Kareliya*) (Korableva, et al. 2001).

While the Finnish portion of the name was dropped, the architecture of the villages (especially along the current border) has a noticeable Finnish influence. By 2001 the Republic and its financial stability was still influenced heavily by Finnish commerce and culture. For

example, a guest worker program sends thousands of Russians over the Finnish border each summer to pick berries. Economically, Finland is Karelia's largest trading partner, investing millions in the Karelian economy annually.

1.4 RESEARCH METHODOLOGY

I conducted the research for this dissertation in 2001 and 2002, building upon preliminary research I had completed in the summer of 1999 when I (re)introduced myself to the owners/directors of the enterprises where I would eventually conduct my research. My primary research site consisted of two interrelated business networks: one run by Galya L. and her family and a second larger group closely aligned with Galya's and other individuals and networks in the Republic. (Chapter 2 details how the business groups function and relate to one another.) The groups are made up of many, sometimes seemingly disparate, enterprises that are in reality closely joined at both the enterprise level (director/owner) and at the employee level by ties of affinity and consanguinity. The networks play an important role in the firms' collective survival, but also in the management and discipline of their respective workforces.

In total, I conducted 16 months of ethnographic research that included formal and informal interviews and long stretches of participant-observation—working and socializing with the wage earners, managers, and owner/directors of several business groups. Galya's network of businesses and the larger group with which she is affiliated have a good deal in common with other types of formal and informal organizations—alternatively labeled financial industrial groups (FIGs), clans, mafias, cliques, etc.—in Eastern Europe and the

countries of the Former Soviet Union. Some examples include Collins (2000), Wedel (1998), Glinkina (1998), Johnson (Johnson 1997; Johnson 2000), Kryshatanovsky (1997) Dinello (1997), and Coulloudon (1997; 1998). One challenge with this particular body of literature is its orientalist tendencies, which tend to obfuscate more than describe certain practices. For instance, what would pass for a family-owned business in the West might be labeled as a clan-run business in Russia; bartering, which is common among small business in the United States, might be seen as anti-market; and what might be considered successful lobbying or ‘corporate welfare’ might be described as ‘capturing the state’. While I refrain from using the terms coined by this literature for classifying or describing the groups I researched, the groups I researched do share some of the same characteristics as the groups identified in this literature, which I do identify and discuss in Chapter 3.

I also undertook an extensive review of print media and political campaign literature as relevant to my research subjects. Both the news and editorial content of the papers—profiles of various local business people and elected officials, exposés, and op ed endorsements—provided a detailed road map to allegiances and non-transparent connections between various political and commercial groups in the Republic. I also kept up a series of relationships and conversations with local politicians, bankers, lawyers, police investigators, intellectuals, former party officials, and a number of wage earners, enterprise managers, and other entrepreneurs, which allowed me to test observations, triangulate stories and facts, and better understand the social-economic and political milieu in which my informants were operating.

Finally, I administered a written survey to employees at each of the enterprises I investigated (Appendix 1). The survey covered demographics, employment history, job

satisfaction, consumption, and household spending patterns. Response rates from specific cohorts of workers at five different enterprises approached 100 percent.³ How I arrived at such high response rates is worthy of some discussion. Galya and the other entrepreneurs agreed to survey all their relevant employees if I would share anonymous results with them and include comparisons to the other companies. Their motivations were the same: they were keen on strengthening management effectiveness and production efficiency and saw an employee satisfaction survey as a tool that could be helpful in these endeavors. I designed the survey to meet my needs but also answer critical questions from a human resources perspective. Enterprise managers administered the surveys in their respective facilities. At Galya's enterprises, the surveys were given out and deposited by employees into sealed boxes that sat on the bookkeepers' desks on payday. Participation was not obligatory and nobody checked to see if surveys were completed, but I suspect most workers treated it as a requirement.

The method I used to deploy and gather the surveys illustrates the challenges, dilemmas, and tradeoffs associated with conducting field research from several vantage points at the same site. One question worth discussing is: Are results biased because the survey was provided to employees by the enterprise managers? It is probably impossible to know entirely, just as it would be if I had administered the surveys personally, although the reasons for not being truthful might differ. Had I collected the survey personally, either outside core works hours or by showing up at shift breaks, the survey response rates would have been lower as the logistics would have been more challenging and my relationships with employees, which were not even across all enterprises and brigades, would have played a

³ The exception to the high response rate is the NS Café, which had mostly part-time workers who were not a central part of my research.

greater role in the response rate. However, judging from how meticulously the vast majority of surveys were completed and the amount of additional comments added beyond the required questions, employees took the survey very seriously (several employees even helpfully pointed out a few grammatical errors on the survey) and were not afraid to be forthright in their responses. They spoke plainly about their likes and dislikes and often made suggestions for improvements. These actions point to employees feeling empowered by the rare opportunity to give unfettered feedback regarding their working conditions.

A second issue deals with power at my field site—who has it and how it affects what information is collected or interpreted—which I consider an ethical issue. It would seem that I used the power differentials between workers and management to my advantage to get a better response rate. However, one could argue that the survey was empowering as it created a sense of awareness about the employees' work environment that was not part of the daily conversations on the shop floor. In one instance, the survey even prompted an employee-requested meeting with the management to talk about changes they would like to see implemented (see Chapter 5). On the other hand, the surveys served to set me farther apart from my informants in ways that had not been manifest during my many months conducting participant observation as junior baker or cake decorator, where my inquiries and conversation were much less formal.

In general, however, my presence in the enterprises was always disruptive in some fashion. For example, sticking-up for a colleague who might have been unfairly accused of a mistake and having the 'American,' male voice carry undue influence, or agreeing to have coffee with wage earners from Galya's bread bakery after work hours in her café, which had the effect of raising the status of a young worker and, judging by the turned heads of

management, evoking exactly the response the young employee intended. Deciding how and when to administer the survey was one of hundreds of judgment calls I had to make during the course of negotiating and conducting my research project.

The survey results proved to be invaluable as a research tool, revealing trends associated with age, gender, and place of employment that I would not have been able to easily identify through my field journals or even well-coded interview transcripts, which would have had a much smaller sample size. The results also highlighted apparent contradictions or counter-intuitive results that were best explained or understood through the interviews I conducted. In short, the survey results allowed me to draw more nuanced conclusions to my various lines of inquiry.

Approximately half of my research consisted of participant-observation, either working as a wage earner, or spending time and working with managers, directors, and owners of the enterprises I investigated. I tried to mitigate the natural distrust and skepticism of my colleagues in the bakeries by sequencing the time I spent working with coworkers, managers, and entrepreneurs over the course of my research. I began participant observation with workers—minimizing time I spent at the enterprises with owners and managers—always politely declining lunch and afternoon breaks with managers to eat with my brigade and avoiding long conversations or communication that did not involve normal work issues. Once I completed my predetermined stints as a baker and cake decorator, I moved to more formal interviews with managers and the participant observation with the directors/owners (e.g. Galya). I often did this work away from the enterprises—at private residences, cafés or political campaign headquarters. Segmenting the research based on whom I was working

with helped to minimize the feeling that I might be some sort of spy for either workers or management.

My participant-observation as a wage earner required working 12-hour shifts in a series of commercial bread, cake, and pastry bakeries over the course of many months. I requested and was given positions that placed me on teams of bakers or decorators called brigades. A brigade typically consisted of a leader, from two to five brigade members, and a few students on practicum as part of their secondary education.

As I alluded to above, one of the largest challenges for me with this project was establishing trust and credibility with the brigade members, which was made more daunting by the novelty of being both an American and a male on predominately female brigades (except at the bread bakery, which was all male). The relationships I was able to establish on the bakery floor depended a good deal on how the brigade leaders accepted me, and I helped this along by securing real positions of employment in the bakeries—contributing full 12-hours of effort on each shift. Of course managers who would do things like admonish their employees to ‘be more diligent like the American’ made developing these relationships that much more difficult.

It was a crisis of sorts involving how I was to be compensated as a brigade member that may have been the turning point for my acceptance in the brigades. I initially began working without compensation because one of my research grants stipulated “no outside employment” and the reviewers of my funding proposal (not anthropologists) had flagged this portion of my methodology as not meeting conditions of the research grant. However, once word quickly spread among the employees that I was not being paid for my efforts, the level of incredulity and distrust among my new colleagues—managers and workers alike—

increased dramatically and was on the way to becoming untenable. Therefore, the compromise we struck was in the form of a barter agreement—I would work for cakes, which in terms of what my daily wages as a new employee would have been, were extremely expensive. When I explained how I would use the wonderful cakes as gifts that would help my research efforts—taking them everywhere I had interviews or when I was invited to a person’s house—the agreement was seen as plausible and, I suspect, flattering, and went a long way in restoring my credibility with my colleagues.

Working as a brigade member was difficult. The long workdays, which rotated continually between three twelve-hour day shifts and two twelve-hour overnight shifts, was a schedule to which I was never fully able to adjust. I also found that truly participating as a brigade member could alter what I was observing. For example, when my brigade was unfairly fined for an alleged theft (see Chapter 4) my complaining about the situation got better/different results than would have probably occurred if the brigade leader had chosen to speak up. On another occasion I became a trusted-enough member of a bread-baking brigade to be asked if my car could be used to store 80 kilos of flour ‘liberated’ from the storage room during the overnight shift. In this instance I managed to demur without hurting my relationships. Challenges of this nature were ongoing and required me to make continual, on-the-fly judgment calls and perform challenging role changes as the long shifts wore on.

Participant-observation with owners and managers was not as straightforward as working as a wage earner on the bakery floor. Like all things western that come into contact with this group of entrepreneurs, my presence was manipulated and used to their advantage. Off the bakery floors, participant-observation consisted of such things as lending my ideas or ‘American perspective’ (and thus ‘expert’ opinion) or often just my presence to the group.

For example, I was consulted on designing effective negative ‘American-style’ political campaign literature and was asked to do Internet research on U.S. food handling and production regulations for comparison to the current Russian regulations (the U.S. regulations, especially at the municipal level, were more stringent than Russia’s). Galya also arranged several television interviews for me to talk about my research in her enterprises the week before the regional elections (both Galya’s and Anna’s husbands were candidates in local elections in 2002), and interviewed me for their local paper about burdensome government regulations. In short, my hosts took full advantage of me throughout my research. In return, I was allowed to peruse ledgers, review computerized inventory management systems, copy personnel policies and announcements (*prekazi*), conduct interviews, and generally ‘stop-by’ the various enterprises whenever I wished.

I also was able to develop excellent relationships with managers of the enterprises who have the difficult job of pleasing the owners and dealing with complex and challenging situations that arise from managing large numbers of often young and sometimes troubled employees. Here, Galya’s introductions helped immensely in that her instructions for cooperation and sharing information were taken quite literally by those I interviewed. I was able to develop wonderful and highly productive relationships owing mostly to the fact that I was interviewing these women (all the managers that work for Galya are women) as professionals—asking them to elaborate on their management ‘ideologies’ and challenges as well as chronicling their career and life trajectories over the course of many interviews and conversations. In a way, I was taking advantage of the work Galya and others have done to identify and grow a class of professional, women managers that were empowered to make decisions and that had a personal stake in the outcomes of the businesses.

The connections between many of these enterprises were numerous and at times invisible to employees and sometimes even to the managers. In most cases, I received confirmation from owners/directors as to what enterprises were linked and by what means. In the instances where significant ‘firewalls’ existed between organizations and individuals who for political, legal, or other reasons would not acknowledge direct relationships, I relied upon observation and triangulation (Fetterman 1998) with third parties to confirm the existence and types of relationships present. The start of the 2002 political season aided significantly in this endeavor as public endorsements, favorable (or unfavorable) newspaper coverage, and campaign literature helped uncover layers of relationships and point the way to where additional investigation was needed.

1.5 THEORETICAL FRAMEWORK

My approach to theory in this dissertation is to use constructs that facilitate an accurate portrayal and nuanced analysis of the dimensions of life for entrepreneurs, managers, and wage earners working in an emerging capitalist economy. In the broadest sense, I draw upon political economy theory in anthropology informed by an understanding of late modernity and a ‘newly globalizing’ world (Giddens 1994; Kearney 1995) that is marked by such things as shifts to post-fordist production techniques, deterritorialized identity and imagination, increased information and financial transactions, and uneven state authority vis-à-vis transnational corporations to frame my research questions. These authors see the world, and thus the context in which anthropology operates, in terms of non-hierarchical, non-oppositional conceptualizations of culture and power, though it is not at all clear that these

global processes are entirely new (Arrighi 1994). Finally, this dissertation harkens back to the study of an earlier transition, heeding Thompson's advice by attempting to understand "...the whole political context of the period...[and]...the changes in social relationship and cultural modes which the industrial revolution entailed" (Thompson 1963: 170).

My approach follows on the work of (Foley 1983; Willis 1977) and others who have combined structural and interpretive approaches for the analysis of labor and identity formation, but with some important distinctions. First, while this research begins with a Marxist frame for understanding the mechanics of capitalism, it does not presuppose a class-based struggle over inequalities or what Kingsolver calls "...dualistic, binding models that make analytical claims on power by the 'active' over the 'resistant'..." (Kingsolver 1998). The approach allows some flexibility in my analysis of individual responses to capitalism in that the research does not default to resistance models that are concerned with the identification and explanation of various forms of resistance to capitalism⁴.

Second, this is not an ethnography of identity formation as much as it is an in-depth look at the processes of building and maintaining a capitalist socio-economic order in post socialist Russia that in the end is probably concordant—despite some surface variability—with U.S. inspired norms for how a capitalist economy operates.

Transformation of the political economy in the late 20th century centered around new forms of production and marketing, rapid shifts in consumption patterns and practices, and, especially, new forms of labor control (Harvey 1989:124). To understand these changes in

⁴ For example Burawoy's (1999) conclusion from Woodruff's (1999) nuanced analysis of the reversion to barter by Russian managers during a currency crisis was that managers were resisting market, when in fact they were only doing what any rational, market-oriented manager would do in the same situation, violates Verdery's good advice (1999) and moves into the realm of what 'ought' to be rather than what is occurring.

the Russian context of ‘transition,’ I use Marx’s conceptualization of the development and operation of capitalism. *Volume 1* of *Capital*, for instance, placed the organization, mobilization, and appropriation of labor at the center of his analysis, including: 1) loss of control of the work process; 2) transformations in the understanding of time; and, 3) reduction in the different types of work. All three of these observations play an important role in how the entrepreneurs I worked with managed their respective workforces and can be seen as necessary for the imposition of a new kind of work discipline and control in late modern society (Roseberry 1997). Additionally, they prefigure nearly all that has been said about the concept of *flexible accumulation*⁵ (Mintz 1998) which denotes a set of production and labor management practices that are discussed most notably in the context of the changing western capitalist economies, but also very important in the Russian context as well. I explain the concept and its relevance to Russia below.

Marx’s insights have also been the basis for a number of empirically grounded, theoretical works that have worked to criticize and reformulate his project, such as Arrighi (1999), Harvey (1990) and Lipietz (1987), which shed light on global economic processes in the late 20th century and provide an important touchstone for understanding what global capitalism looks like at the local level. In particular, the Regulation School builds from Marx’s work to embrace a holistic approach to understanding how economies function, arguing that economic systems, or what they call regimes of accumulation (Flexible Accumulation is a type of regime), must control the actions of all types of actors—capitalists, business people, workers, state employees, etc.—in a manner that will keep its regime of

⁵ See Gary Standing (1999) for an exhaustive empirical analysis of global labor flexibility as well as a proposal for seeking redistributive justice for workers hurt by this process.

accumulation functioning. Harvey describes the main goal of a regime of accumulation as being the stabilization of the allocation of the net product between consumption and accumulation (1990:121). The bundle of social processes and rules that controls these actors is the ‘mode of regulation’ (Lapietz 1986 in Harvey 1990: 122). The next section provides greater detail on the Regulation School framework and its relevance for understanding the political-economic changes occurring in Russia.

1.5.1 The French Regulation School

The Regulation School’s approach to understanding the dynamic nature of capitalism is to outline a total package of “...labor control practices, consumption habits, and political-economic power...” that regulate capitalist systems (Harvey, 1996:122-124). The model works well in the case of Russia and other ‘transitioning’ nations because it focuses attention on social, political, and economic structures while providing language for conceptualizing the interiorized rules and social processes that buttress the system. I use ethnographic field methods to focus on the interactions of individuals with the mechanics and logic of structures that support what I believe is an emerging regime of accumulation.

It is hard to imagine a coherent system in place in Russia given the magnitude of changes in the intervening years during the fall of socialism and 2002, when this research took place. However, comparisons between the two classic regimes of accumulation that have arguably dominated 20th century capitalist production—Fordism and its more contemporary counterpart, ‘flexible accumulation’—suggest that Russia under socialism had a quite effective regime of accumulation and that while the socio-political shifts in the intervening years have changed the nature of this regime, it is still highly effective in producing surplus value for the

holders of capital. A closer analysis of how Fordism and Flexible Accumulation function will help to conceptualize and focus on the concrete ways labor is being organized and controlled in Russia under its emerging regime of accumulation.

Fordism can be viewed as a social-economic system predicated on standardization of production *and* consumption. It is associated with economies that enjoy stable growth in unchanging patterns of consumption and rely on long-term, large-scale, fixed capital investments in mass-production systems (Harvey 1990: 142). These rigidities are molded by a “seemingly fixed configuration of political power and reciprocal relations that bind big labor, big capital and big government into...a dysfunctional embrace of such narrowly defined vested interests as to undermine rather than secure capital accumulation” (1990:142).

Many ‘Fordist’ characteristics can also be found in Russia and the former socialist countries. Socialist-era enterprises had fixed capital assets, large and immobile workforces, and production driven by resources, not by demand (Verdery 1996). Despite the fact that socialist economies were not market driven and access to raw materials depended on an enterprise’s success in ‘negotiating the state plan,’ the enterprises faced real pressure to meet basic consumer demands, especially in food production. As such, managing the workforce to increase productivity was a perpetual issue for socialist managers.

Flexible Accumulation challenges the rigidities of Fordism through manipulation of labor processes, labor markets, and products and patterns of consumption (Boyer 2002). In the United States, the recession and oil crisis of the 1970s precipitated the shake-up of Fordism (Harvey 1990: 140). In Russia, the implementation of the neoliberal policies—including rapid price and trade liberalization, privatization, and currency deregulation—of the early 1990s tore down many of the ‘rigidities’ that had so carefully entwined the state, communist party, and labor/production

processes. The result in Russia, like in the U.S., was the emergence of more ‘flexible’ (thus the name) approaches to production and labor control. In the U.S., the changes included increased global mobility and diversification of the industrial sector, a reduction in trade union power, and rapid changes in patterns of uneven development between industries and geographic areas (Harvey 1990: 147).

In Russia the effects were similar, more pronounced, but also more segmented. As Kideckel (2000) illustrated in Romania, post-socialist workers are not homogenous, and their experience of labor is dependent in large part on the particular ways they are incorporated into regional labor systems. Other effects of more flexible approaches as evidenced by Galya and others include, generally, more innovation in the workplace, transfer or creation of private ownership where the state was the prior owner, and a reduction of the social role of the enterprise. Muller (2007) made similar observations in the former East Germany that were a result of *Wende*. Her work includes a rich analysis of the varied effects these types of changes had on the workforce and found that such things as education level, sector they were employed in, and career positions made significant differences for individuals.

One of the main criticisms of the Regulation School is that it is too functionalist in that it focuses on the structures, rules, and institutions that are required for a system of accumulation to exist and ignores the fact that these structures interact with and are impacted by the activities of real people. Sewell (2005), for example, points the way to get more utility from the concept of structure by insisting that it: “1) recognize the agency of social actors; 2) Build the possibility of change into social structure; and, 3) overcome the divide between semiotic and materialist visions of structure” (Sewell 2005: 126). Sewell’s approach points to a long standing challenge within anthropology, which has increasingly turned to the

intentional actions of individuals through theories of *practice* as developed and used by Bourdieu (1977, 1990) in Ortner (1984) to address this issue. Practice theory places individual agency and “...the production of cultural meanings and symbols...” (Marcus and Fisher 1986: 85) at the center of investigations of socio-cultural life. My analysis largely follows in the same direction by focusing on the ways in which individuals and groups interact with the structures both of their own making and the ones seemingly imposed upon them.

The Regulation School is also criticized for lacking predictive value—that it is so broad that anything and everything has a place within the model, which renders it ineffective. The strengths of the School, and the theoretical and methodological steps I undertook to make up for its shortcomings, make the Regulation model and approach entirely appropriate for this research. First, I use the Regulation School’s construct as a heuristic device, making its predictive value largely not an issue. Second, the framework has a holistic orientation that lends itself well to the kind of anthropological investigations that are local in nature but must take larger structural and global processes into account. Finally, the framework forces concrete comparisons, limiting tendencies to use essentialized models of western capitalism.

1.5.2 Anthropology and Capitalism

In the last fifteen years the study of capitalism in anthropology has taken on new vigor and meaning (Blim 2000).⁶ Much of this work has been influenced by anthropologies of late modernity, questioning whether political economy can provide an adequate conceptual

⁶ See Boyer (2007) for an illustrative review of different definitions of capitalism from a number of various disciplines concerned and contributing to the study of capitalism.

framework for understanding and critiquing late-modern society and capitalism when many believe that even the most flexible theories of global development can not deal with the complexities of a new global cultural economy (Appadurai 1996).⁷ As Moore argues, "...the central traditional concepts of anthropology have changed in the face of globalization and changes in the forms of political economy, the nation state, violence, the media and cultural identities..." (Moore 1999: 19).

Ethnographies of capitalism are spurred by the claim "...that traditional concepts and ways of doing things no longer work, that life is out running the pedagogies in which we have been trained" (Fisher 1999: 456). Ong (1991) observes from her experiences working with Malaysian women (1987) and a review of the role of gender in labor studies within anthropology that "Reports from the new frontiers of industrial labor reveal a widening gap between our analytical constructs and workers' actual experiences" (1991: 279). In general, anthropologies of late modernity and capitalism argue that "...the emergence of new economies, new markets and new kinds of state policy, along with changes in the global flow of capital...has arguably made the dynamics of capitalism more complicated..." (Alter 2000) and thus perhaps more difficult to understand using the late-19th and early-20th century notions of class society and industrial processes.

Fisher (1999), for instance, outlines three overlapping arenas of attention that provide challenges for social theorists:

⁷ The term can be substituted with postmodernity, postindustrial society, knowledge society, or information society. See Michael Fisher (1999) for a fuller discussion on anthropologies of postmodernities. Here I use the term in relation to large scale social and economic changes in western society as opposed to *postmodernism*, or the "...genre of refractory expression" (Knauf 1996: 67-71).

- 1) The continuing transformation of modernities by science and technology, themselves understood to be mutating social and cultural institutions...
- 2) The reconfiguration of perception by and understanding of the human social sensorium by computer-aided and sensory devices...also called the third revolution...with implications as profound as the first two industrial revolutions...for global political economy...
- 3) The reconstruction of society in the wake of social trauma caused by ...war; collapse of command economies; massive demographic migrations and diasporas...(Fisher 1999: 457).

Transnational or global processes are responsible, according to Fisher, for “reworking local cultures and in particular increased participation by diverse agents in the complex division of knowledge and labor...” (1999: 459). Importantly, Fisher suggests that we should no longer speak of a single modernity, that “social theories grow out of experiences from which they are written...,” and that alternate modernities, prompted by events like the collapse of the Soviet Union, can/should be the basis for exploring connections between “changing subjectivities, social organization, modes of production, and symbolic or cultural forms...” (1999: 471).

Within Russia, I believe several modernities can be identified, particularly when investigating capital accumulation strategies in different sectors of the economy. For small- and medium-sized, private (*chastni*) corporations—such as the ones founded by Galya and her family—production and labor strategies are guided by norms, practices, and subjectivities specific (though not exclusive) to the manufacturing and production sectors, which have allowed a particularly virulent (and successful) form of capitalist accumulation to emerge in

what seems to be a relatively short period of time. (I discuss labor management strategies extensively in Chapter 4.)

Blim (2000) argues that analysis of capitalism should explore the context and meaning of variation in capitalist activities and in particular attempt to sort out the ‘causal efficacy’ of recurrent social practices (2000: 29). He cites the documentation of *guanxi*—a set of social practices in China and Taiwan “...that refers to the exchange of gifts and favors to solidify social ties between cooperating parties” (2000: 28)—work that may lead to new ways of thinking about exchange relations within capitalist activities (Hamilton 1998; Mackie 1998; Smart 1993). In Russia, processes associated with using or investing in social capital are captured in the phenomena of *blat* (see Chapter 3), which is characterized by long, sometimes indirect, chains of relationships that trade in reciprocal gifts and favors. While the social currency associated with *blat* was an essential part of life under the Soviet Union, some scholars have suggested that the new wealth of post-soviet economy has lessened the need for *blat* among those with increased access to currency (cf Ledeneva 1998, Busse 2001). I am not able to draw the same conclusion from my research. While the need to trade in social capital may have lessened with the burgeoning market-based economy, *blat* was fundamentally about the relationships behind the transactions, which still play an important role in Russian commerce and society.

Blim’s challenge is significant. While it is relatively straightforward to document surface variation within a particular capitalist system, it is another matter to show the causal significance of these variations. For instance, in the case of *blat* I can document the importance of certain relationships on the success of particular businesses, but it is another matter to show that that relationship, or type of relationship, was both necessary and sufficient

to make a difference either at the enterprise level or more broadly for the regime of accumulation in operation. Nonetheless, the role of informal networks of linked businesses is one of the specific characteristics that I believe has demonstrable effects on the form and evolution of capital accumulation in Russia (see Chapter 3).

The urgency of the inquiry into capitalism increased significantly as the Soviet Union and Eastern Europe shed socialism in favor market economies in one form or another (Boyer 2007). Much of the research in the social sciences at the time was contributing to an emerging body of literature called ‘transitology,’ which contributed significantly to our understanding of large-scale political processes and institutions by documenting the challenges associated with realigning or creating the structures, policies, and institutions necessary for a capitalist regime of accumulation (Berdahl 2000) (cf. Abrahams 1997; Jefferies 1993; Kovacs 1994; Stark 1992 for discussion on privatization, land rights and market economies, and Pridham 1994; Arato 1999 on democratization and civil society development, respectively).

Within anthropology, some of the literature from this time period was criticized for teleological assumptions that predicted certain capitalist endpoints for formally socialist economies (Burawoy 1999), and for relying on ideologically laden concepts that were better at prescribing than describing the situation in formerly socialist countries (cf. Barsegian 2000).

Where anthropologists may have been negligent in their critique of the transition literature is in not using on-the-ground research methods to move beyond documenting individual responses and resistances to Russia’s particular form of socio-economy—an emerging capitalist system—and instead focus on the changes and continuities to the

structural underpinnings of the economy, which shapes and are shaped by individuals interacting with those structures. Stepping back to define capitalism will help make my point. In contrasting capitalism to self-instituting and self-equilibrating markets, Boyer (2007) suggests “capitalism is a legal regime, an economic system and a social formation that unfolds in history and that is built upon two basic social relations: the market competition and the capital/labor nexus” (2007:5). Much of this dissertation is focused on the structures that guide these social relations.

To meet Sewell’s (2005) call for conceptualizing structures in a way that allows them to change and incorporates the “two important dimensions along which structures vary: depth, which refers to the schema dimensions of structures, and power, which refers to the resource dimension” (2005:146) it is instructive to review how several notable anthropologist have approached changes to fundamental economic structures. For example, Wolf’s (1982) political economy formulation “...locks in on processes of material production, on history, political developments and state-building, on intersections of the local level with the national and the global levels” (Abbink and Vermeulen 1992: 96). For Wolf, political economy is the infusion of culture, history, and practice with issues of capitalism, class, and power (Roseberry, 1989:11). He assumes that: 1) power and equality, and conflict and domination are pervasive parts of everyday life; 2) the cultural and historical specificity of groups studied requires a global reference; 3) global processes must be interpreted at the local level, allowing structure/agency interplay; and, 4) history is a material social process characterized by economic and political inequality/domination.

Wolf applied this theoretical construct in *The People of Puerto Rico* where he used the notion of “cultural history” to argue that the 400 years of Puerto Rican history was not

merely a reflection of outside interventions on a pre-existing structure and history, but also "...local responses and adaptations to colonial institutions that affected the development of 'wholly new sub-cultural configurations'" (Steward, et al. 1956: 32). These new configurations resulted from "...modifications in world markets, trade regulations, labor supply, technology, credit and legislation [that] reacted upon every subculture..." (Steward et al., 1956:32). In a similar fashion, the structural reforms in Russia can not be viewed solely as outside forces mapped onto pre-existing structures, policies and norms.

In the context of the fall of socialism, Verdery (1996) works with a similar set of processes as she makes the case that to understand what transition will mean in former socialist countries will require a better understanding of socialist era processes. Within the Russian enterprises I researched, the mix of socialist era workplace norms and 'new' rules to deal with what the managers would refer to as 'new capitalist system' were continually shifted and remixed in an effort to increase productivity through control of labor.

The identification and importance of deep socialist-era continuities follows on work of a number of anthropologists including Wedel (1992) who illustrated Poland's 'second society' that existed outside of socialist society, or Kideckel (1995) and Creed's (1995) analysis of the parallels between collectivization and decollectivization and Nagengast's (1991) argument that capitalism in Poland would be able to take advantage of masked class relations that were present under socialism. Likewise, but reaching to a period prior to socialism, Poznanski (1994) argues that the emergence of capitalism is due to the reemergence of civil society and a liberal economy in those states.

Wolf recasts modes of production as kin-ordered, tributary, and capitalist, highlighting the notion of labor being harnessed in a social plurality and calling production a "product of

complex, mutually dependent relationships” within societies (Wolf 1982: 386). He uses this production analysis as a tool for describing/understanding how "...human beings confront their world in order to modify it in their favor..." (1982: 386). When different modes of production come in contact with one another, the unique relationships, symbol systems, and practices that 'empower, inform and carry forward human action' in each mode come into conflict. Under this scheme "...each mode of production could be seen as generating a field of force related to alternate symbol systems generated by a particular mode of production” (Ong 1987: 2).

As far as I was able to discern, within the context of the transitions in Russia, the fields are generating power differentials that allow Galya and other entrepreneurs to manipulate symbols, images, subjectivities, and ideologies associated with capitalism to effectively socialize, condition, and control their respective workforces. Dunn (1999) showed that the use of symbols and language associated with capitalism is significant in contesting and negotiating the space created by privatization and foreign investment. In her work with a previously state-run baby food factory in Poland she documented the struggles between the product marketers—younger, more Western-oriented employees—and the more traditional socialist workers on the shop floor.

Ong’s approach responds to critics who maintain that one cannot "...assume an economic sphere [i.e. modes of production] distinct from and determining a social and cultural one" (Ortner 1984: 97) by showing—as Marx insisted—that "the starting point of materialism was the *social* conceived as material..." (Roseberry 1997: 27; italics added). Roseberry also notes a number of problems with the modes of production framework, including the fact that the literature often "...paid too little attention to activity of human

subjects” and took for granted the history of noncapitalist modes of production by using concepts borrowed from European history (Roseberry 1988: 172). He also argued that the framework conceived of social and cultural processes “...in terms of the lawful relationships among structures, seen as prior to and removed from human action... [and]...based on abstractly conceived laws of motion of non-capitalist systems” (Roseberry 1988: 171).

The dissatisfaction with modes of production pointed scholars including Ong (1987), Stoler (1985), and Comaroff (1985) towards an increased emphasis on Marxist studies of culture such as that of Williams (1977) and Gramsci (1971) “...showing a more explicit concern for class, culture and politics” (Roseberry 1988: 171).

In her review article on gender and labor Ong proposes that workers’ experiences be conceived of as *cultural struggles* as opposed to “...a conventional framing of working-class experiences as a trajectory from class consciousness to class struggle to structural change” (Ong 1991: 304). She borrows Williams’ notion of “structure of feeling” (Williams 1977: 132) to describe “...a kind of practical consciousness [of workers] derived from actively lived and felt relationships” that take place outside of (and resist) articulated formal systems, or ideologies (Ong 1991: 304). Ong’s approach, rooted in her work with Malaysian women confronting new forms of industrial discipline (1987), provides a more nuanced version of resistance theory, suggesting that workers find ways to struggle against forms of labor commodification and capitalist processes that run contrary to more traditional orientations to work and life. However, her approach still presupposes resistance as a norm, which I found to be a dangerous presupposition when attempting to craft a research methodology and frame of analysis that accurately captured what was occurring as wage earners confronted radically different, yet very familiar, feeling modes of control in the workplace. In Chapter 4, I

describe patterns of worker accommodation, acceptance, and misdirected resistance to workplace discipline and control strategies.

Roseberry's (1988) general critique of work inspired by Williams and Gramsci is that it pays too little attention to the structures and systems within which people were acting. In short: "too much agency, too little structure" (1988:173). He suggests a more balanced inspection of historical materialism and cites Thompson's (1963) treatment of the changing role of the British state in working class formation during the industrial revolution as a good frame of reference. Thompson reminds us that in the end it was not the invention of the cotton mill, per say, from which an English working class consciousness arose, but the combination of technological advancement, population explosion, and "...the state's 'counter-revolution' against the explosive precepts of Jacobinism that were at work" (Thompson 1963: 196).

1.5.3 Globalization and Reconfigured (Late) Capitalism

When Kearney (1995) reviewed the anthropological literature concerned with both population movements and the movement of information, symbols, capital, and commodities in global and transnational spaces he lamented that while Appadurai's metaphors of cultural flows are useful, they were somewhat removed from issues of political economy.⁸ Gill (1997) has suggested that more important to understanding the "instantaneous and heightened density of the global transmission of signs and symbols... [or]...the globalization of culture...[are the]

⁸ Kearney identifies transnationalism as overlapping with globalization, but with the more limited purview of being anchored in and transcending one or more nation-states vs global processes which are decentered from specific national territories. For further discussion see (Basch, Glick Schiller, & Szanton Blanc, 1994: 5-10 in Kearney, 1995: 548).

changes in spatial and organizational nature of internationally mobile capitalist production, commerce, and finance” (Gill 1997 in Dash 1998: 54). Likewise, Blim cautions against a “reversion to metaphors or to functionalistic descriptions of the world economy” when trying to describe the ways in which workers are connected together in the global accumulation process (Blim 1998: 323). However, I would argue the metaphors are immensely useful and are only removed from political economic approaches if we allow them to be. The metaphors are a way to connect theory to fieldwork in order to help us understand how change begins to happen and what it looks like for the people living through those changes.

Harvey in particular links cultural change and flows of capital to the “marked acceleration of...space-time compression in capitalist political economy...” (Kearney 1995: 551).⁹ For Harvey “...major shifts of representation, cultural forms and philosophical sentiment...” occur as a result of capitalism’s imperative to continually shorten the time between investment and profit taking (Harvey 1989: 239 in Kearney 1995: 531). This imperative is felt during periods when capitalism must restructure itself in order to survive. The most recent restructuring began in the early 1970s when the “Fordist-Keynsian” model of labor control practices, technological mixes, consumer preferences, and regimes of political-economic power gave way to a period of “rapid change, flux and uncertainty” (Harvey 1989: 124).

Harvey characterizes Fordist accumulation practices as ‘rigid,’ assuming stable growth in unchanging patterns of consumption, and thus relying on “long-term, large-scale fixed capital investments in mass-production systems” (1989: 142). These rigidities were comprised of a “seemingly fixed configuration of political power and reciprocal relations that bound big labor,

⁹ For example, see Verdery's (1996) argument that the destabilization of the Soviet economy and the eventual fall of socialism was a product of socialism collision with the ‘speed-up’ of capitalism.

big capital and big government into...a dysfunctional embrace of such narrowly defined vested interests as to undermine rather than secure capital accumulation” (1989:142). I believe this definition, with adjustments for where the locust of power is held, can be applied to the Soviet economy, making Harvey’s analysis of why the Fordist system broke down an excellent heuristic device for framing and understanding the emergence of a particular kind of capitalism in Russia by the late 1990s.

Harvey’s analysis maps well to much of what is happening in Russia at present, which suggests that the Socialist production had a good deal more in common with ‘fordism’ than previously understood or at least acknowledged in the literature documenting the ‘transition’ away from socialist economies. The implications for this oversight are significant and go to one of the main points of this dissertation—that the institutions and many of the structures that would support the emergence of capitalism in Russia were already in place. Put another way, the industrial culture of the USSR (cf. Berliner 1957, Martin 1998) had much in common with its Western counterparts. Other anthropologists have found Harvey’s analysis useful as a framework for studying new forms of labor control and exploitation (cf. Kasmir 1999; Mathur 1998; Ong 1991).

Harvey argues that the U.S. recession and oil embargo in 1972 challenged these rigidities and set in motion a new regime of “*flexibility* with respect to labour processes, labour markets, products and patterns of consumption...new ways of providing financial services...and greatly intensified rates of commercial, technological and organizational innovation” (1989:147). The analogous, or triggering events, for Karelia were the formation of the Russian Federation in 1991 and ensuing neoliberal reform of the early 1990s. The net effects of more flexibility were an increased mobility and diversification of industrial sector, a

reduction in trade union power, rapid changes in patterns of uneven development between industries and geographic areas, and a surge in the service sector as industry moved to less developed regions (1989: 147). Giovanni Arrighi (1994), in contrast, begins his analysis of capitalism's development not with theorizing the transition to flexible accumulation, but with an "...investigation of... [capitalism's]...current tendencies in light of patterns of *recurrence and evolution*, which span the entire lifetime of historical capitalism as a world system...[and thus make]...tendencies that look novel and unpredictable...familiar" (Arrighi 1994: 4; emphasis added). He builds upon Baudel's notion that "historical financial expansions are closing phases of major capitalist developments..." to breakdown capitalist development into cycles of accumulation (Arrighi, 1999: 55). For Baudel, capitalism over its entire lifetime has been marked by a *flexibility* and *eclecticism* (Baudel 1982:197 in Arrighi 1994:4). By adding Marx's general formula for capital (MCM') to Baudel's analysis of capitalism's development, Arrighi argues:

Money capital (M) means liquidity, flexibility and freedom of choice. Commodity capital (C) means capital invested in a particular input-output combination in view of profit. Hence it means concreteness, rigidity, and...a closing of options. M' means expanded liquidity flexibility and freedom of choice...thus...capitalist agencies do not invest in Capital as an end in itself...[but]...as a means to an end of securing even greater flexibility...at some future point (1994:5).

According to Arrighi, Marx's formula tells us that capital tends/prefers to revert to a money form (1994: 5) and that expectations for flexibility and choice in commodity investments are second to the preferred liquidity of money. This is evidenced by the large

accumulation of money in world financial centers, which also provides Arrighi's rationale for the numerous historical withdrawals of world powers away from commerce/commodity trade (MC) and towards banking and finance (CM). For example, the Dutch withdrew from commerce to become the bankers of Europe in the 18th century (Arrighi 1994: 5); or, more recently, finance in the U.S. gained heightened importance in the 1970s and 1980s. The capital flight out of Russia in the early 1990s is a testament to the validity of this claim. However, Russia in the 2000s saw development of robust domestic equity markets as the flow of capital out of the country was replaced with capital investments in Russian businesses and industry. Perhaps an equally important indicator has been the relatively recent willingness to contribute liberally to political campaigns as an important investment that ensures, as Baudel, put it 'greater flexibility' in the future. (Chapter 5 discusses the role of politics in accumulation strategies.)

Arrighi (1994) also uses Gramsci's notion of hegemony to construct a genealogy of capitalism's development dependent on the rise of particular networks of power that exerted force over, and had imbedded in them, subordinate networks for capital accumulation. He identifies four historical cycles of accumulation during which the successful hegemons (i.e. the Netherlands, Great Britain, and the United States) incorporated into their state and war-making arsenals the ability to accumulate capital by reaching out to their counterparts in other capitalist states to expand possibilities for accumulation (Arrighi 1994: 86). Yet he also points out that capitalism "...triumphed by not being identified with any particular state, but by constructing world-encompassing, non-territorial business organizations" (1994: 86). The process by which capitalism went from subordinate to networks of state power to a system of networks of accumulation outside the state (e.g. transnational corporations) was

“...a series of systematic cycles of accumulation, each consisting of an MC phase followed by CM phase of financial expansion...[conceived as]...long periods of fundamental transformation of the agency and structure of world-scale processes of capital accumulation” (1994: 86). This formulation provides a model and language with which to think about the political economic transitions within Russia, as networks and normative socialist era practices that existed because of the government have at least partially subsumed a number of governmental functions. (cf. Stark and Bruszt 1998; Hellman et al 2000; Sava 2003; Wedel 2002)

I have situated this dissertation within a political economic framework because of the relevance and flexibility the framework provides. At the same time, I have attempted to set up a research methodology that allows me to transcend the debate alluded to above between an overly structural focus and one that focuses on individual agency.¹⁰ In the broadest sense, I have tried to combine a materialist orientation that focuses on the emerging capitalist relations of production and its constitutive structures and technologies, with an interpretive approach that seeks to understand the cultural dimensions and symbolic power of capitalism and underscores the processes whereby individuals are the creators of the social systems yet created by them (Giddens 1990; Robertson 1992).

¹⁰ See Roseberry (1988); Ong (1987); Stoler (1985); and, Comaroff (1985) for contrasting perspectives in this debate.

2.0 THE KARELIAN ECONOMY

I arrived in Petrozavodsk after a seven-year hiatus to a city that felt intimately familiar, but was vastly different. Petrozavodsk's Lenin Prospect still ran on a gentle grade from the hammer and sickle-spired train station down some fifteen blocks to the shores of Lake Onega, the second largest body of fresh water in Europe. The pink, blue, and yellow-hued stucco buildings—products of a massive rebuilding effort after the Soviets destroyed much of the city trying to retake it from Finland during the Second World War—still warmly reflected the light of the long summer days. The city was also as clean as ever—a fact often remarked upon by visitors and an on-going source of local pride—and Lenin still towered over the city's neo-colonial circle square (Figure 4), rooted there indefinitely, I was told, because he was simply too heavy to move. This left a diminutive statue of Peter the Great—the square's original occupier and the city founder—vanquished to a quiet corner of a park along Lake Onega. My apartment afforded me a view of Lenin's square and a daily reminder of the importance of continuity in structures, practices, and even expectations in daily Russian life.



Figure 4. Lenin Square in the Heart of Petrozavodsk

Other outward changes in the city were dramatic. Every storefront and even the basements of most apartment buildings—many of which had previously been dirt-floored storage areas—along the main thoroughfares throughout the city had been transformed into new retail space, restaurants, or hair salons. From toasters to personal watercraft, everything was now for sale. The taste for variety and Western-style consumption had caught on here as it had throughout much of Russia with retail trade turnover in Karelia growing by 9.2 percent in 2001, up from 5.8 percent a year ago at the same time (Figure 5). The share of foodstuffs in retail trade turnover declined from 57.3 percent to 53.8 percent—evidence that Karelians had increasing buying power and real wages as they bought more non-food durable goods.

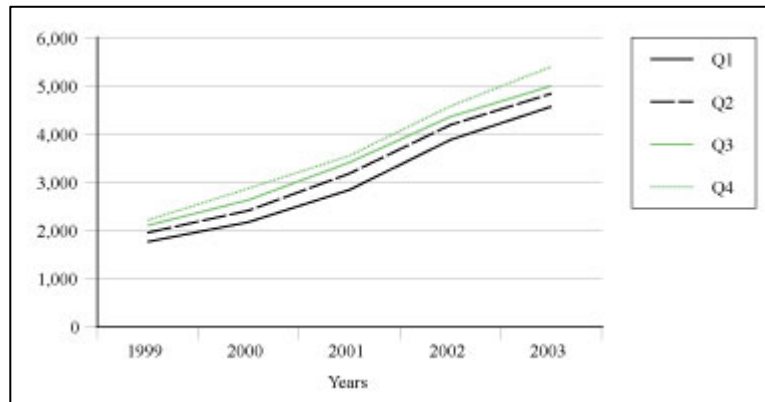


Figure 5. Karelian Retail Gross Sales.
Source: *Karelnkomstat* 2004 (Russian Rubles—Millions)

However, Karelia never really embraced privatization and the false hopes proffered by free market proponents to the degree that much of Russia did in the early 1990s. To be sure, there were waves of euphoria, hope, and hype, but in the practical matters of owning the rights to natural resources and the facilities that processed and sold these resources, the government was much more circumspect and conservative than many of its counterparts.¹¹ For example, thanks in part to one influential and farsighted timber director, the Republic maintained shares in almost all of the timber logging, processing, and manufacturing facilities in the Republic. The steady source of hard currency revenue from these enterprises helped maintain a strong central government in the Republic throughout the 1990s, and continues to have far-reaching consequences for private business owners.¹² State ownership in 85 percent of the formerly state owned enterprises in Karelia that were privatized between 1992 and 1997 has been a significant source of revenue for the Republic, which has in turn invested

¹¹ Karelia holds the distinction of being one of the very last of the Russian regional governments to condemn the coup attempt against Gorbachev.

¹² For example see chapter 4 on the relative power of State to protect business owners from organized crime extortion and other rent seeking activities.

heavily back into road and infrastructure development. Government investments have been one of the leading reasons Karelian investment growth in real assets grew by 46.7 percent in 2001—the highest rate in Russia (Table 2).

Table 2. Real Asset Investment 1999-2002

Real Asset Investment (USD, Millions)	1999	2000	2001	2002
Total Investment in Real Assets	2875	6703	10997	9292
Annual percent growth	40.2	68.4	46.7	6.3
Investment Index (1990=100)	17	28.4	41	44.3

Source: Karelkomstat 2002 and 2004;

The policies have also helped Karelian wage earners whose nominal wages are higher than the Russian average, even though real income has grown on average faster outside of Karelia.

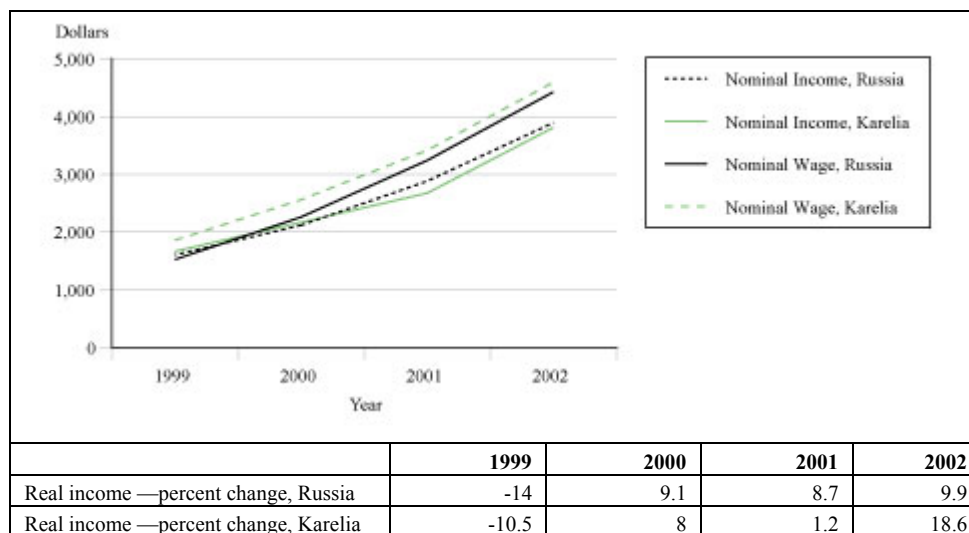


Figure 6. Income Growth Compared 1999-2002

Source: Goskomstat 2004, Karelkomstat 2004

Although the Karelian state did not entirely divest itself of the Republic's vast resources, there has been a steady degradation of what had been, in many Russians' minds, a

fairly bright line between resources for public good versus that of private usage. Local and regional elections can be seen as battles for control of state managed resources—everything from leasing government-owned retail space at official rates that are about three times below market value, to securing timber rights to vast tracts of forest through patronage networks that support incumbent politicians. Many of the Russians I spoke with saw the profiteering, favoritism, and corruption as a relatively new phenomenon associated with the end of socialism. Conversely, private individuals and enterprises have entered territory once reserved for the state by, for example, providing communal security doors to apartment buildings during elections, ensuring that students receive meals during school, and supporting sports and cultural clubs once funded by the government. The significance of the blurring of lines between what is public and what is private—for both entrepreneurs and their employees—is a topic taken up in chapters 3 and 5, which deal with informal business groups and gender politics, respectively.

If the current Karelian government's politics weren't entirely Western-oriented, their vision of the future certainly seemed to be. The Republic has positioned itself as the gateway to Europe. Its westward-looking aspirations are symbolized by Petrozavodsk's mile-long promenade at the shore of Lake Onega (Figure 7 and Figure 8).



Figure 7. Petrozavodsk's Lake Onega Shoreline at Night



Figure 8. City Day on the Lake Onega Shoreline

The beautiful Karelian-granite walkway is marked by a dozen or so pieces of public art, each given as gifts from Sister States/Cities from across the world. The first sculpture to grace the waterfront—two fishermen casting a gill net into the lake—is from the City of Duluth, Minnesota and is a favorite with locals, who like all Russians, have a good eye for the ironic (Figure 9).¹³ After the devastating ruble devaluation in 1998 the fishermen symbolized the snaring of Karelia in the net of ruthless capitalism. More literally, the fishermen are throwing the same type gill nets that devastated Karelia's fisheries when people were forced into subsistence fishing during the economic downturn in the 1990s.



Figure 9. A Gift Sculpture from Duluth, Minnesota: Fellow Fishermen or Capitalism's Ensnaring Net?

¹³ The connections between Minnesota and Karelia are highlighted by Mayme Sevander (1992) who chronicled the tragic return migration of ethnic Finns who moved from the United States and Canada to help build a worker's state only to be caught later in Stalin-era purges.

To get a sense of the magnitude of changes in the intervening years since my last visit, it helps to review some simple statistics. In 1992 the number of newly incorporated businesses in Karelia—both foreign and Russian—was around 35 (Abbott 1999). However by the end of 1998 there were 437 foreign-owned enterprises from 40 different countries incorporated in Karelia alone investing almost \$42 million in direct investments (Table 4).¹⁴ About one-half of these firms were Finnish. In the last three years, the rate of new incorporation has increased on average about 3.5 percent per year after accounting for corporate terminations.¹⁵ Twelve of the new firms in 2001 were wholly foreign owned and comprised 11 percent of the total investment in the Republic for 2001 (Table 4). In 1991, there was only one such foreign owned firm in Karelia.

Table 3. Foreign Investment in Karelia 1998-2001

	1998	1999	2000	2001
Foreign investment USD million	3.5	15.5	2.2.2	41.7
Percent of Total Investment	2.6	9.3	13.4	11

Source Karelkomstat 2002

Table 4. Enterprises Registered in Karelia¹⁶

Number of Registered Enterprises	1997	2000	2001	2002	2003
Total in Karelia	13,028	15,710	16,300	17,342	18,550
Newly Registered	920	1358	1351	1392	1691

Source: Karelkomstat 2004

¹⁴ Karelkomstat 1999.

¹⁵ *ibid*

¹⁶ This number is somewhat misleading because of the number of incorporations established to hide assets from tax police or similar motivations other than engaging in actual commerce.

By 2001, a 9.6 percent share of industrial output was attributable to small enterprises (versus 3.3 for all of Russia). Stuningly, the total number of people employed in small business in Karelia (Figure 10) between 1998 and 2003 increased by 86 percent even as the total number of people employed has steadily declined in the past few years (Figure 11).¹⁷

The job migration to the small business sector is significant in Karelia and in all of Russia. The Karelian government had a more difficult time protecting the interests of larger firms at the smaller firms' expense, and the small firms were becoming important political players by, for instance, creating organizations to advance their interests (see Chapter 3), generating revenue that could be cycled into election campaigns (see Chapter 5), and increasing the tax base for regional government and municipalities.

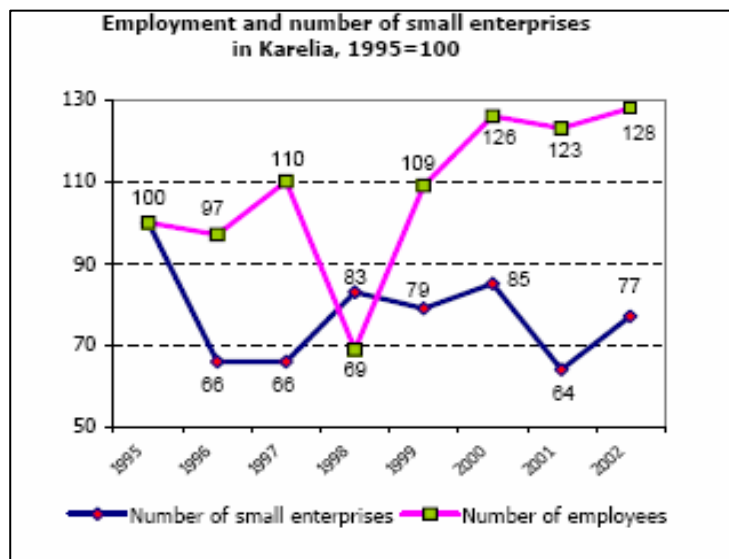


Figure 10. Employment and Small Enterprises in Karelia
Source: Karelkomstat 2003

¹⁷ Karelkomstat (2003) in Biannual Review published by University of Joensuu – Karelian Science Centre.

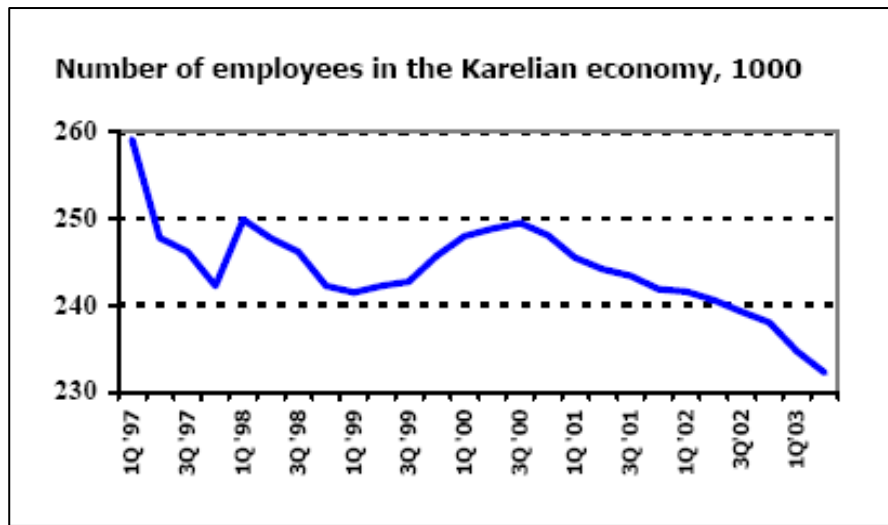


Figure 11. Employees in the Karelian Economy 1997-2003
Source: 2003 Karelian Science Centre, Bi-annual Review University of Joensuu

Karelia's ties to the West have also been supported through the Republic's active participation in such multilateral organizations as the Barents Euro-Arctic Regional Council and the Council of Baltic Sea Countries, both of which focus on environmental issues and economic development, trade, and other commercially and culturally oriented activities across Europe.

Anecdotally, the surge in corporate interests in Karelia can be confirmed with a search for "Karelia" on the Internet, which reveals tens of thousands of e-mail addresses, Web sites, and Web-servers in the Republic that include everything from pagers, to dating service advertisements, to a database of Karelian laws and law reforms for small businesses sponsored by the local affiliate office of the Soros Foundation.

The labor and production strategies in the enterprises I worked are best analyzed in the context of the specific features of the Karelian regional economy. The Republic is heavily dependent upon natural resource extraction with 60 percent of industrial output in 2002

coming from this sector¹⁸. The Karelian government still controls a large subsection of this economy through stock ownership in the timber harvesting and processing sector. When the ruble was devalued by almost 400 percent in 1998 (Manfred 2004), eviscerating the newly growing Russian economy, the Karelian economy actually benefited in 1999 and 2000 from the devaluation (Table 5, Figure 12). The steady infusion of foreign currency from the newly inexpensive (for foreign buyers) lumber exports combined with the lower labor costs fueled a construction and renovation boom (Table 6) that encouraged Russians to invest in new enterprises locally, rather than take their profits out of the country. The economic activity resulted in steadily increasing wages and thus more consumer buying power.

Table 5. Karelian GRP

	1997	1998	1999	2000	2001
Karelian GPR (Rubles Billion)	9.9	11.4	20.2	28.5	32.5
Karelian Real GPR (Rubles Billion)	-5.8	-6.9	10.6	8	5
Karelian GPR per Capita, (Rubles 1,000)	12.7	14.7	26.4	38	42.8
Russian GPR per capita (Rubles 1,000)	16.8	18.4	31.6	48	61.9

Source: Karelkomstat 2002

¹⁸ Karelkomstat 2001.

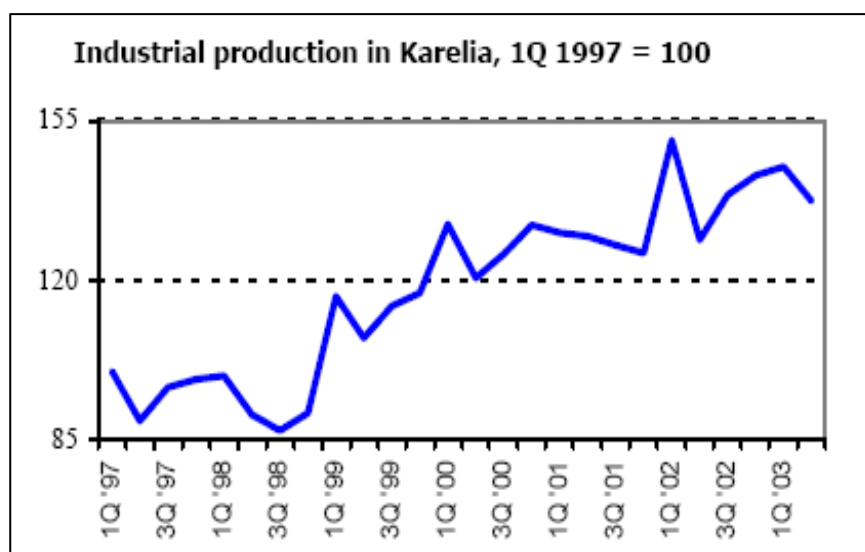


Figure 12. Karelian Industrial Production 1997-2003

Source: 2003 Karelian Science Centre, Bi-annual Review, University of Joensuu

In 2001, the construction sector grew by over almost 40 percent led by a 25 percent increase in housing construction and large infusions of funds for road construction. Notably, the contribution of small firms (under 20 employees) doubled in 2002, accounting for almost 60 percent of the economic activity in the sector, which bolsters the case for the importance of small business in the economy.

Table 6. Construction in Karelia

Construction Indicators	1998	1999	2000	2001
Construction Contracts—Value in RUR Million	586	1036	2030	4060
Percent real growth	-20.9	30	46	42.6
Quantity—housing construction 1,000m2	65.6	70.5	56.1	70.5

Source: Karelkomstat 2002

As the Republic's largest employer, the government is especially sensitive to unemployment rates. This has created a bit of a dilemma for the government, which outwardly recognizes the enormous economic potential of small and medium sized businesses, but still needs to protect its direct and indirect interests in formerly state run

enterprises. Protectionist tendencies generally prevail, which are marked by harsher inspections, limited access to raw materials, and problems with permitting, etc., for private (*chastni*) enterprises.

The employment rate as linked to demographic trends in the republic is also an important variable for understanding the economic climate at the time of my research.¹⁹ Since 1990, the population in Karelia has declined by five percent in just 12 years (Figure 13). The loss of population can be attributed to a negative population growth rate with the current death rate of 16.9 being almost double the birthrate of 8.9 and the fact that many highly employable people were leaving the Republic in search of higher paying jobs elsewhere in Russia.²⁰

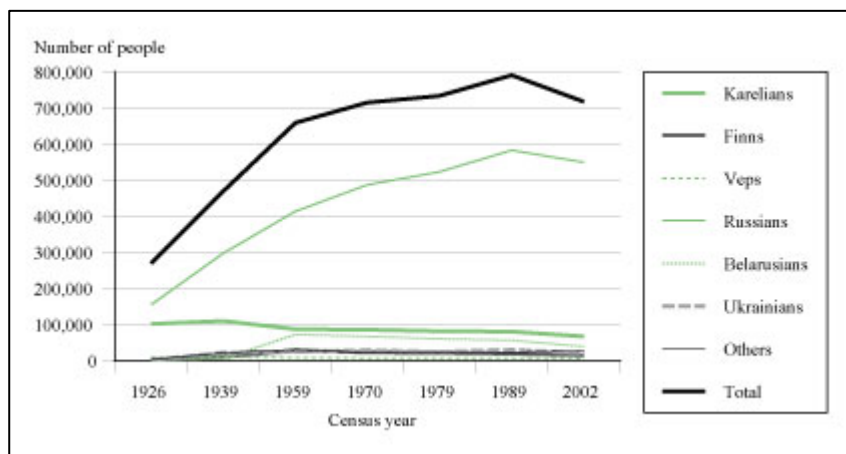


Figure 13. Karelia Population Over Time

Source: 2002 All Russia Census;

http://en.wikipedia.org/wiki/Republic_of_Karelia#Demographics

The loss of population coupled with the increase in industrial output and decreasing unemployment rate, which declined rapidly from 19 percent in 1998 for able-bodied workers

¹⁹ See Rivkin-Fish (2002) for a thorough analysis and critique of the way demographic data in contemporary Russia is interpreted to defend or decry neoliberal policies of the 1990's that coincided with negative population growth in Russia.

²⁰ Source: Karelkomstat (2002), Social and economic situation in the Republic of Karelia from January-June 2003, Petrozavodsk: Karelkomstat.

to 11.4 percent in 2000 (Table 7), has shrunk the available pool of local workers and forced many employees to rely on workers immigrating from the former Soviet Republics. The tight labor supply does mitigate the power managers have to control and discipline workforce, but other factors such as long probation periods, lack of workplace protections for sexual harassment, and workplace safety, make most employees very reluctant to switch jobs.

Table 7. Karelian Unemployment Rates

Unemployment Rates	1998	1999	2000	2001
Russia	11.8	12.6	10.5	9.4
Karelia	18.9	15.1	11.4	12.3

Source: Goskomstat, Karelkomstat 2002

The Karelian Branch of the Federal Security Service (FSB; formerly the KGB) also plays a significant role in the Karelian business climate. The FSB itself now offers, for enterprises that can afford it, complete, steady protection from organized crime and rent seeking behavior associated with its activities. In fact, locals call Karelia ‘the police state’ because of the direct protection (*kryshas*) provided to small business by FSBs. Although these arrangements would probably be used by western scholars as evidence of deep institutional corruption, Russian entrepreneurs see these arrangements in a positive light and speak highly of the safety afforded by FSB protection.

The geographic position of Karelia along the Finnish border is also significant. The border economy, including a guest worker program that brings thousands of Russians to

Finland in the summer for seasonal agricultural work, has greatly accelerated the flows of technology and capital into this part of Russia.²¹

Also important is the fact that the enterprises I investigated are not ‘spin-offs’ of state enterprises or joint ventures with foreign firms. They were created in the last decade and are private (*chastni*) firms, which in this context translates to small/medium enterprises that are not joint-stock companies or previously state-owned enterprises. They occupy what I describe in more detail later as ‘retrofit space’—from the decrepit buildings that have been ingeniously modified to house their operations, to the soviet-style systems of surveillance and discipline, to employee benefits and perks that have been strategically altered to meet the needs of the private firms.

Small business in Karelia has done rather well from about 1999 forward, especially in comparison to small business throughout Russia. An analysis by scholars at the University of Joensuu’s Karelian Science Centre in Finland found that the average worker in a small business in Karelia is considerably more productive than their counterparts in the rest of Russia (Figure 14). To an extent, this has to do with the nature of timber industry and small scale fishing and agricultural operations. Nonetheless, the differences are significant and illustrate the relatively favorable climate for small business in Karelia as well as the enormous potential small and medium sized companies have to be the engine that drives economic growth and capitalist accumulation strategies in Russia.

²¹ Conversely, Russian tourists have become increasingly important to Finland. In the 2007 tax-free purchases alone brought in more than 100 million euros to the Finnish economy (Barents Observer, Jan 2, 2008).

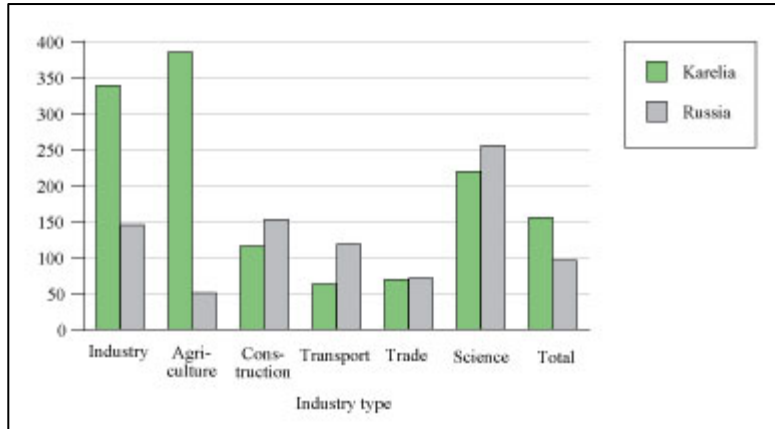


Figure 14. Labor Productivity in Small Enterprises in 2001
Output per employee=1,000 Rubles
Source: Karelkomstat 2003; Goskomstat 2003

3.0 RUSSIAN BUSINESS NETWORKS

Having been out of contact with my Russian friends for sometime, and not wanting to appear presumptuous of our friendships, I returned to Petrozavodsk in 1999 unannounced to attend a summer language institute at Petrozavodsk State University and conduct some preliminary dissertation research. When I somewhat sheepishly called an old friend after having been in town for a few days she exclaimed:

No it can't be...how is it you are here and didn't call as soon as you arrived? You remember our Tanya...she told me that she saw you standing on the street last week, but thought to herself 'no, it couldn't be him, that man is much too short to be Mark...'

On the day Tanya likely spotted me I happened to be standing near a Russian acquaintance who is exceedingly tall. Nonetheless, I suspect most things Western loomed larger for the Russians in 1992 than they did in 1999. This is due not so much to the fact that notions such as democracy and capitalism had lost their luster (though they had for many) as it was to the bruising devaluation of the ruble in 1998. The shock and arbitrariness of waking to find that ones' savings were worthless and many staple goods were suddenly priced out of

reach at the stores had become the new reference point for the often-asked question ‘are things better before or after the changes?’²²

Still, I found among my old friends and associates an air of confidence and recognition that the business climate had improved in some important ways. For the most part, they had survived the bruising ruble devaluation of 1998 with their livelihoods intact, though all had horror stories of overnight shortages, price gouging, and feelings of dread and panic that they relayed in great detail. I spent the next few months re-establishing friendships, tapping into old networks, and setting the scope/range of my field site and research project.

This chapter provides an introduction to those relationships and the organizational structures, decision making strategies, and internal workings of the enterprises and business groups that ‘own’ the enterprises I discuss in this ethnography. The enterprises I investigated were all private (*chastni*) businesses incorporated since 1992 and owned by individuals or small groups of individuals with either formal or informal ties to the companies. They are small/medium enterprises.²³

For Galya and her sister Anna the previous seven years had truly been a blur. In the time since my last visit they had left their fledgling bookkeeping business and their largest client to start a series of businesses. The split from their client’s business group (discussed below in detail) was both legal and normative. The groups have separate autonomous command and control mechanisms. Although, as this chapter will show, their continued collaboration was vital for the existence of both groups of businesses.

²² In addition to the Ruble devaluation there is also able anecdotal evidence that suggests manufactured shortages and price gouging took place on an unprecedented scale.

²³ Officially, a small business in Karelia must have 18 or less registered employees to qualify for certain local tax benefits.

3.1 GALYA'S EMPIRE

By 1999, the sisters and their immediate families were proprietors of a spectacularly successful bar/café, a busy domestic tourist office catering to Russians and visiting Finns, and a bread bakery that had carved out a significant piece of market share in the Republic. When I returned in 2001 to conduct a year of dissertation fieldwork, Galya and Anna had added two additional commercial bakeries to their stable businesses to provide hard to find, high quality pastries and desserts for her café.²⁴

Table 8. Enterprises Owned by Galya and her Extended Family

Enterprise Name	Primary Commercial Activity	Founded	Number of Employees	Percent Female	Mean Age
Bakery #1	Bread	1993	30	10	28
Central Café	Restaurant/Bar	1996	125	80	22
Travel Agency	Domestic Tours	1997	3	100	NA
Bakery #2	Cakes/Tarts	2000	46	90	23
Bakery #3	Bread and Rolls	2001	20	90	26
North Star Café	Café/Bar	2002	15	50	NA
Computer Club	Computer Games	2002	6	0	18

Galya's group—I will refer to this network of businesses as such because she acted as a CEO and lead decision maker for the businesses—is composed primarily of Galya and Anna, their husbands, three older children, a cadre of trusted managers, and one outside associate who is no longer intimately involved in the day-to-day operations of the enterprises, but at one time was a director and equity holder in Bakery #1.

²⁴ In 2007, using the same formula for success—a central location, new and creative offerings—Galya added a highly popular jazz club to their portfolio.

Most of the businesses I investigated were associated with a multitude of incorporated organizations that were vital to their survival. By the mid 1990s, entrepreneurs were creating and changing corporate structures at an alarming rate. In fact, an entirely new cadre of lawyers was being trained by the local universities and finding gainful employment providing these services. The myriad of incorporations form interlocking networks of ‘sister companies’ that operate with varying degrees of cooperation—depending on the relationship—that create a number of commercial credit, marketing, sales, and tax advantages for the owners.

For one of the groups I researched, I uncovered over 50 separate corporate registrations/incorporations over a five-year period associated with the same set of enterprises. As one police investigator I spoke with described it: “It’s impossible anymore to keep track of all of this...they do this to hide profits from us and it works pretty well.” This is probably a true statement, though I never attempted to directly validate it by researching the legality of the many business strategies employed to reduce tax burden. What is clear is that group relations were essential—in ways that went well beyond what I would consider purely commercial transaction relationships—for the survival of the businesses.

The heart of Galya and Anna’s business group was the North Star Café, both because of its central location in town and because its revenues surpassed even the highly profitable bread Bakery #1.²⁵ Galya’s inspiration for the North Star Café (NS café) came from a vacation in the mid-1990s to the Czech Republic where she was taken with the good food, friendly wait staff, and social atmosphere of the restaurants she visited. The NS Café achieves her goal of creating a ‘democratic place’ to sit and have coffee with medium priced

²⁵ All business names are fictitious. I have provided non-generic names that bear some resemblance to the actual name when there is some significance to the real name that might be gleaned from the pseudonym.

food and floor-to-ceiling windows that create an open, light-filled atmosphere—a notable departure from the typically dark and foreboding atmosphere of most Russian bars and private business clubs.

The first-rate, ‘exotic’ food (most recently the menu featured a spoof on McDonalds with a variety of hamburgers—a food not sold anywhere else in Petrozavodsk), the famous musician and actor patrons who also lend their images to the café’s t-shirts and calendars, and the indie music piped through the stereo system, combine to make the café the place to be and be seen in Petrozavodsk. The café’s popularity encourages university students (two universities are situated close by) not only to hang out at NS Café but to work there. At any given time, 100 or more students are on the payroll working flexible schedules. From this group of eager students, Galya profiles and culls likely candidates to work at the other enterprises owned by the group.

The café also serves as the ‘nerve center’ for the commercial, political, and social projects that emanate from this group. The café’s geographic location helped give rise to Galya’s political campaign slogan ‘Always in the Center’ discussed in Chapter 5. Much of the group’s business dealings are as seemingly open as the light-flooded restaurant. At any given time, Galya and other family members can be found hunched over a table engaged in earnest conversation on everything from the day’s activities to planning for a visit from German factory representatives. Additionally, the dozens of state inspectors, from fire, to sanitation, to alcohol control, that show up seemingly weekly are asked to present their reports over coffee and croissants at the restaurant, thus making public what is often conducted in private and resolved with the passing of ‘envelope money.’ This practice lends

credence to Galya's emphatic claims that they go to great lengths to legitimately meet all government inspections and requirements.

The basement of Central café was a maze of storage rooms and poorly lit hallways, each leading to a different office seemingly more cluttered than the previous one. The floors were dirt in some places and uneven concrete in others. The basement provided a cramped break room for employees, offices for Galya's ill-fated run for city Duma (see Chapter 5) and eventually, once cleared and remodeled, a fledgling computer club that brought in surprising amounts of cash.

The start-up of the computer club, a business conceived and managed by Galya's teenage son, illustrates the importance of networked enterprises for successful entrepreneurs in Russia. First, financing for capital projects—e.g. store remodeling and computers—was all done through revenue from sister companies. This provides a mechanism for buying down tax obligations and access to low cost capital. Also important is insurance, or the club's roof (*kresh*), which in this case is covered by the café's arrangement with the local police. Young Alexander relayed to me what he saw as a rather comical (I thought incredibly naïve) interaction with “a few big guys” sent to his club the first week it opened to arrange for protection services against theft and fire. When he explained that he was part of the above café, they didn't believe him, but said they would be back after they checked out the story. They never came back. Galya has the finest protection money can buy—that of the Karelian FSB. While not an issue for this fledgling enterprise, it actually is for many that cannot afford the costs of engaging the police and are thus left to deal with local organized extortion rings. Finally, the marketing for the club relied heavily on a client base of the other businesses in the group, in this case drawing upon the café's student clientele and more importantly younger

siblings and other youth as young as 10 years of age that were drawn to the central café's atmosphere or vibe but were unable to afford it were or discouraged as patrons.

The start-up phase of the club also illustrates how many critical decisions were made within Galya's group. Beyond exacting, if informal, business plans that included detailed revenue projections, the business strategy was done on the fly. For example chatting on the street about how to purchase a needed new computer for the club: "...yes, bakery #2 is due for one or two new computers...we will use that account..." or holding court at a table in the café where Galya and her sister conducted much of their business. Finally, the club's success is illustrative of the family's knack for accumulating capital through innovation and business savvy. Open 24 hours a day, the club tracked its daily performance by looking at the percentage of time each of the 26 computers was rented. In the first month of operation, they were rented out 86 percent of the time, which, at four rubles per hour, created revenue that exceeded \$2,750, excluding food and beverages sold at the club, per month. By comparison, the average monthly salary for one of the young adults working full-time upstairs in the café would rarely exceed \$110 per month, which was the median wage in Karelia in 2002.²⁶

Providing pastries, cakes, breads, and desserts to the group's Café, as well as area grocery stores, restaurants, cafeterias, and schools, are three additional enterprises owned by Galya and her family (in Figure 15 and Figure 16). In all, about 170 wage earners (most café employees are part-time) work in these enterprises which have daily production capacities of up to 18,000 loaves of bread, five hundred sponge-cakes (*biskvitii*), and thousands of croissants, buns, and pastries.

²⁶ Karelkomstat (2002), Social and economic situation in the Republic of Karelia from January-June 2003, Petrozavodsk.



Figure 15. Outside View of Bakery #1



Figure 16. Outside View of Bakery #3

Bakery #1 was the original enterprise started by the sisters and their husbands along with one family friend, who was the only non-relative in the group that was an owner. This bakery, which can break even producing at about 40 percent capacity, was the source of most of the capital needed to launch the Café and weather the economic crisis of 1998. Although they entered into baking more by accident than strategy, their ability to capture market share with new and quality bread products despite fierce competition from other artisan bakeries

and formerly state-owned bakeries made the bakery, until recently, a perennial moneymaker for the group.

Bakery #1 was the only bakery owned by the group that used fully automated equipment for several sections of the production line. With its three large-capacity, German-made convection ovens and automated dough kneading machines, a brigade of six working a twelve-hour shift could produce eight to nine thousand loaves of bread in a number of varieties. In addition to the bakers and assistants, this factory employed a half-dozen or so delivery drivers, a licensed technologist as required by sanitation and food handling regulations, a part time cook—brigade members are fed two hot meals per shift—the director, a dispatcher/bookkeeper responsible for the daily production order and quality control, and a night watchman.²⁷

The ovens in Bakery #1, though imported new (or least reconditioned) in 1992, were becoming quite unreliable as they wore out from continual use over the years. As one brigade member scoffed, “The only thing German about these ovens are the shells...we’ve replaced almost everything with Russian parts or bailing wire...which explains why they don’t work so well anymore.” In fact, the large convection ovens did not circulate the heat evenly and faulty temperature sensors frequently scorched entire batches (250-300 loaves) of bread.

The bakery, like all of the other enterprises owned by the group, occupy what I call ‘retrofit space’—from the once and often still decrepit buildings that have been ingeniously modified to house their operations, to the soviet-style systems of surveillance and discipline as well as benefits and perks that have been strategically altered to meet the needs of this

²⁷ This is not an insignificant benefit. During the financial crisis of early 1990’s schools were able to get many teachers to come to work with no pay largely for the one hot meal that they would receive from the school’s cafeteria.

group of private firms. The buildings that house the group's enterprises embody both the group's creativity and the challenges of doing business in Russia.

Bakery #1, for instance, used welded 2-inch thick steel plating for floors, converting what was a tractor repair station with dirt or at best broken concrete floors into a bakery that could meet the stringent sanitary inspections needed to get proper licenses.²⁸ While the floor system was ingenious and probably the most inexpensive alternative to new cement and tile, it also created a number of workplace hazards. The floor was painful to stand upon for the 12-hours shifts, dreadfully slippery when wet, and the large welds that seamed the steel-plated floors made pushing the immense, top-heavy, baking racks into the red-hot walk-in ovens a difficult and extremely dangerous task.

Bread selection at the bakery consisted of three main varieties—a dark round bread, typical white baguettes, and white ‘loaf’ bread that was unique in Karelia. The business made large inroads in its initial years of operation into the state-owned bakery's monopoly market share which, while making typically good Russian bread, did not innovate or experiment with new product lines. Beyond initial customer curiosity and sampling, the bakery established a loyal client base that allowed it to stay profitable while as many as a dozen other artisan bakeries began selling bread across the city in the late 1990s.

The success and challenges associated with Bakery #1 illustrates some of the challenges and opportunities facing small businesses in Russia in the mid to late 1990s. A significant challenge involves business financing. Opening Bakery #1 required significant capital investments from family and friends because at the time formal bank loans were

²⁸ While there are ways to get around inspections, the stringent safety rules are keenly enforced by management as a means of controlling and disciplining the work force. See Chapter 4 for details.

simply not possible.²⁹ For example, one entrepreneur outside Galya's group, desperate for credit to launch his own cake bakery, explored bank financing and relayed the following:

Yes, I could get credit from the banks because I, for example, have my own flat that I could offer as collateral. When the bank told me they would bolt a giant padlock to my front door, which would be removed once principal and interest was repaid, I laughed off this solution as absurd. Instead, I borrowed money from the kind of good friends that you really can't let down.

Although this entrepreneur's quest for start-up capital ended well and his business is thriving, he tells me there were several months when he did not know that the business would succeed and that the prospect of not being able to pay back the funds had given him an ulcer and many sleepless nights.

A second challenge comes again from the Karelian government which, while outwardly promoting development of small business, often mobilizes against small and private businesses either to protect the former state run facilities and the jobs they provided or to raise revenue through fines and other rent seeking behavior. For example, private bakeries for a period of time faced political interference that limited the availability of flour, which would leave their bakeries idle or force them to import flour at significantly higher costs.

Also challenging was the rent seeking by a myriad of local and state licensing bodies that would identify supposed violations and levy steep fines accordingly. Bakery #1 was

²⁹ This business is the only one in Galya's group that had an outsider (i.e non-family member) who figured prominently in the start-up and management of its operations. This person has a relative that worked for a Moscow bank, who was able to arrange financing for the German ovens.

fined for improper packaging of its product because several loaves of bread for sale at a retail outlet reportedly had torn packages or were missing the ingredient list. The fines for this type of infraction were usually a few rubles per incident, but, in this case, the firm was fined based on its production capacity for one month. The fine was debited directly from the firm's bank account without prior notice and had Galya not had revenue from her other businesses to make payroll and buy raw materials, she would have had significant cash flow problems.

However, once business was underway there was the potential for large profit margins because the prices for goods produced domestically often reflected the inefficiencies in former state run production facilities. One entrepreneur and owner of a single bakery reported to me an annual profit rate of 146 percent.

Most private businesses rely on the support and resources of differently arrayed 'groups' to confront or cope with these types of challenges. First, as illustrated with Bakery #1, entrepreneurs rely on their business networks and personal resources. In this case, Galya's considerable resources allowed her to go beyond simply paying the staggering fines. She fought back in court and won an unheard of reversal of the fines. The protracted legal battle—about 6 months—was expensive and politically risky. To buttress her aforementioned legal case and push for legislative reforms she turned to two very different types of groups.

The first group, patterned directly after a Western style trade association was the Karelian League of Independent Bakers, which she helped to establish. The group would meet monthly over coffee and sweets at the café to discuss regulatory and political issues that affect these usually fierce competitors. The League was particularly effective because each member brought to the table separate networks of influence within the government and private sector—one thing this group would never be able to do is endorse a slate of political

candidates—that could apply pressure where needed to protect the fledgling industry from the previously state-owned bakeries.

The League also gave Galya credibility and a limited degree of protection for her outspoken criticism of laws and regulations governing everything from unfair tax policy to archaic food handling and production regulations. At the top of her list of complaints were food regulations. According to Galya, the food certification requirements are a continual problem facing the food manufacturing sector in Karelia, which has shown dramatic growth despite this impediment (Table 9). Per Soviet-era regulations, for example, the ingredients of each product sold must be individually tested and certified, even if they have been previously tested and certified for other products. The regulation extends to new high-quality pre-mixed ingredients for bread dough, cake frosting and the like, which are imported from the West or Finland and have proven to be extremely popular and profitable despite their relative cost. So, for example, a food product that uses only ingredients from three other certified products must still have all of the ingredients re- certified before it can be sold. The certification process is timely and expensive.

Table 9. Percent Change in Karelian Domestic Production

	1998	1999	2000	2001	2002
Food stuffs*	-13.5	6.6	11.4	7.6	31.6
Timber Logging (for comparison)	.2	24.1	-.9	2.7	-5.8
*7 percent of total Karelian output in 2001					

Source: Karelkomstat; Social and economic situation in the Republic of Karelia from Jan.-Dec. 2002.

While there are subtle and not so subtle ways (e.g. envelope money) to avoid these regulations and their associated fees, Galya, who is loath to pay bribes, believes that the

product certifications are causing her companies to lose market share to firms from St. Petersburg who ship new and interesting products into local stores from jurisdictions where certifications are much easier to gain (Figure 17). She sees competition from St Petersburg as one of the greatest threats to her food production revenues.

The second group she turned to is the informal business network run by Vasili her previous boss and now close collaborator (see description in next section). Using a newspaper published by Vasili as a forum, Galya made her case directly to the public and to potential voters as she penned this opinion just prior the local Duma elections.

Why is bread becoming more expensive?

A Petrozavodsk business woman is sure that prices for bread can and must be stopped from rising

My business is baking bread. The authorities and the public think about us only when bread disappears from the bakeries. It's like health - when you're healthy, you don't think about it. Only countless examiners and controlling organizations are interested in us. It looks like Russia is the wealthiest country in the world because our state can afford to keep such a powerful system of retail trade certification. If this army of highly-qualified [inspectors] would work and produce bread a wide assortment of cheaper bread of higher quality would appear in shops.

Speaking about the prices. There are ways of lowering prices for bread, but only if the authorities want it. The elections are ahead, and the future executive and legislative authorities would have to solve the problem of bread supply. And this problem has to be solved.

We, the enterprises that produce bread united in 1997 to solve the problems of production and the problems of people who work with us. We signed a petition to the President and the State Duma asking for the abolition of the licensing for bread production. On the 11th of February the event that the bakers were waiting for so long finally happened: one doesn't need to have licenses for the production of bread, confectionery and macaroni. The struggle of the Russian guild of bakers for the abolition of an unreasonable regulation of a similar law that has been functioning for years is finally over.

But even after the passing of a new Federal law the number of controlling official channels are trying to make the bakers follow the burdensome procedure during the next 6 months. This is continuing to kill our businesses.

But what is it all done for? Licensing will not improve the quality or the selection of the bread. The license has become the lever for closing small bakeries. Sometimes licensing has been used as the means of unfair competitive activity, especially against small-scale bakeries. At present there is a lot of official offices that are unfair to producers: the State Sanitary Epidemiological Control, Trade and Bread Inspections, the agencies of State Standard. No one but the consumer should comment on the quality of bread, loafs and rolls. The consumer will forget about bad bakers. This is how the relations between the seller and the consumer are carried out. The new law makes life easier for good producers. They got rid of one of the official barriers. I'm glad we've won this battle.

Figure 17. Opinion Editorial on Government Regulation

This opinion letter translated in Figure 17 is notable in several respects. First, she attacks the state by suggesting that its onerous inspections and unfair systems of fines are the reason prices of bread are increasing in the Republic. Second, she talks about the power of markets to regulate. While not labeling this neoliberal or even attributing it to the policies of the early 1990s, she is using the language and arguments first used by proponents of ‘shock therapy’ in Russia to put pressure on the state to stop its rent seeking behavior. Galya’s use of terminology associated with markets and capitalism—both in the public sphere as she runs against a formidable communist opponent in the local Duma (Chapter 5) and privately as she seeks to motivate (or threaten) her employees (see Chapter 4)—is part of an arsenal of strategies she uses to mitigate threats and increase her own power in the workplace and in the community.

While the league provided legitimacy to Galya’s and others’ complaints, the association and its members still would have struggled in anonymity had it not been for the political connections, financing, and media coverage provided by Vasili. His newspapers are part of a much larger group of enterprises and ventures that provide, in Galya’s words, “something much better than advertising” for her businesses (Figure 18). (The next section discusses Vasili’s network in greater detail.) She receives in-depth and unrelenting news coverage that highlights problems and rails against all real and perceived enemies. The newspapers also do softer articles touting new store designs, new products, and other special or human-interest stories. The constant barrage of coverage, written by professional journalists and published in several high-quality publications, not only added teeth to the League’s and to Galya’s efforts, but provided Galya with what she believed was essential

added protection for her patchwork of political and economic cover (*or kresha*) needed to run a successful business.

Bakery #2 was the first enterprise where I conducted long-term participant observation, joining-up as a full-time cake decorator and baker's assistant on various brigades for a three-month tour (see related video clip). This bakery specialized in making Russian torts (*biskviti*), which are similar to American pound cake, and an assortment of pastries. The bakery was in operation 24 hours a day 364 days per year, which I later found was due overridingly to issues of security and not productivity—a building occupied all the time was a much harder target for robbery. Situated in a Breznev-era building in one of the older outer suburbs of the city, the stand-alone building had seen many uses prior to becoming a bakery, including most recently serving as a nightclub and restaurant; but prior to that I am not certain. The decrepit kitchens and decorating rooms in the building were framed by cracked cement walls held together with large bands of steel and floor-to-ceiling dirty windows that overlooked the alley that ran along one side of the building. Yet, the workspace itself was kept spotlessly clean by the full-time cleaning staff, which ironically created one of the more dangerous aspects of working in the facility—continually mop-wet floors, which were as slick as ice and caused accidents on a regular basis.

As in the Café, every square inch space of the workspace is used including a closet that substituted as the men's locker room for the half-dozen or so delivery drivers and the occasional male cake decorator. The building was located on a gentle hill and had two levels. Inventory offices, break rooms, and laboratory were in the basement. The baking and decorating stations, kitchen, dispatch station, cold storage, and retail outlet were on the

ground floor, which emptied out into the back alley, allowing easy access for the delivery vans.

The bakery department was located down a long hallway between the retail store front and the *kreme otdel* or decorating department where the chocolate and vanilla sponge cakes were dipped briefly in vanilla flavored syrup and decorated according to the daily order (*zayafka*). The *kreme otdel* had three rooms, the smallest being about 8x10 and used for cleaning pots and pans, and two larger workrooms where brigade members decorated and assemble the cakes, torts, and small pastries produced each day. While the building was arbitrarily broken-up by function, the space created by the designations was significant in that sanitation rules prohibited individuals from entering certain areas if they were not wearing proper clothing and head cover.³⁰

The location of each workstation was dictated by the building layout and available power and water supplies, which made for challenging workflow issues. For example, the stove used to heat boiling syrup in five gallon vats was situated far from the decorating stations, requiring the women decorators to carry the boiling concoction across slippery floors and between scurrying members of the baking brigade. The situation's danger was compounded by the slippers (*topochki*) that were the footwear of choice for brigade members. The result was frequent workplace accidents with one woman permanently disfiguring her arm when she fell into the vat of boiling syrup she was carrying. Also problematic was the fact that cold storage for flour and sugar was located in the basement, which meant the

³⁰ Designated space helps to equalize power differentials between workers and management as the latter were not able to enter the work spaces without taking time to change into specialized clothing and non-street shoes or without breaking their own rules and thus could not effectively monitor activities first-hand.

women brigade members had to drag up 50-kilo bags of sugar and flour several times per shift.

The building that housed Bakery #3 was owned by Galya's group and contrasted greatly with the other bakeries in that it was newer and well lit, and the space had been designed around the needs of the bakery. Anna and Galya characterized Bakery #3 as "on autopilot" due to its good manager and older workforce. They rarely had to intervene in the daily business operations. This bakery made small breads, rolls, and pastries with semi-automated machines to mix, knead, and roll dough. Galya reported and in fact it turned out to be true that this was the 'quietest' enterprise in the group, with little labor strife and consistent quality and productivity. (Chapter 4 discusses some of the differences in the enterprise related to median age and gender of the work force.)

3.2 AN 'OLIGARCH'S' NETWORK

While Galya's group of enterprises is linked by affines and run by dedicated and loyal managers, they also interact on a regular basis with a second, larger business network. This network consists of commercial and retail enterprises and political organizations that are controlled by the relatively young Vasili I. Vasili was Galya and Anna's first (and eventually primary) client before a near bankruptcy forced him to liquidate property—including the prime location and building where Galya's café now operates—which gave Galya an opportunity to venture out on her own.

The next few sections of this chapter describe Vasili's network and its interaction with Galya and her group in greater detail. To understand how Vasili's group operates, I also

outline research that has been conducted on informal business groups and practices in both contemporary Russia and Eastern Europe.

It is important to note that anytime a Russian business conducts a transaction or works in any form with another company it is interacting to some degree with the network within which that company is situated. However, Vasili's group has a more precise and deeply connected relationship with Galya's network and enterprises, which goes beyond the normal trust and cooperation levels associated with commercial transactions in Russia. Besides having history and each other's confidences, or perhaps because of this, the groups were also close political allies in opposition to the Head of the Karelian Republic and the political party United Russia.

Vasili became a businessman in the early 1990s selling two commodities Karelia previously supplied to all of the Soviet Union: Paper bags and wooden flooring. In the case of the paper bags, the paper factory he worked with as an outside broker had a tremendous production capacity, relatively modern equipment, and fairly high-quality products, but little experience in western markets. Vasili was educated at a teacher's college and employed as a police officer and eventually a fraud investigator before he left to start his own business when he was in his early 30s. As a former colleague in the police force put it, sardonically:

He was very frustrated in his job as a policemen...being one of many was not his style...he knew that he was something special and was frustrated by the fact that others did not know it as well.

Vasili's ability to organize sales and act as a middleman for the paper company made him a rich man; but, his many ventures were not always successful and an initial foray into retail

food sales—a chain of grocery stores—resulted in the loss of most of the money he had made earlier in the decade. The story how of Vasili managed to rebuild his fortunes was relayed to me on separate occasions by several of his managers and associates. While it has a bit of a ‘founding myth’ feel to it, I was able to confirm and validate the key facts of the story. I am sharing it because it sets the stage for discussing the nature of Vasili’s group and the role it and other groups like it play in the Russian economy.

In 1994 Karelia had no meat and as everybody knows Karelians love their sausage. We still had not recovered from the recession [associated with ‘shock therapy’]...food production and distribution systems simply did not work. The cattle farms and few meatpacking plants in the Republic produced only enough for employees or to trade for other needed goods. Vasili saw the opportunity and risked everything...taking all of his money, borrowing additional money and hiring a refrigerated truck to southern Russia to buy sausage. Two others did the same, but one truck was in a terrible accident that sent sausage spilling over the highway outside Petrozavodsk. The second had a storage locker full of processed meat, but suffered repeated electrical outages that resulted in his stocks spoiling.

Needless to say, the gamble paid off and, with no other competition, profits from the initial truckloads were able to finance more truckloads, which in turn Vasili used to finance the growth of his grocery store chain into the largest, best stocked chain of stores in the Republic. This story was repeatedly told to me in a neutral fashion with no hints or innuendo of improper dealings, malice, or conspiracy, on the part of the players involved. At times it seemed exaggerated; it was used in print media as a way to introduce and humanize a

relatively inexperienced but wealthy politician, and people enjoyed telling and retelling the story.

By the end of 1999, Vasili claimed to have just over 700 employees working in a chain of grocery stores, a food distribution and catering firm, and at least two daily newspapers. By 2001 he would add a large dairy production and processing plant and a fish product productions facility to the list.

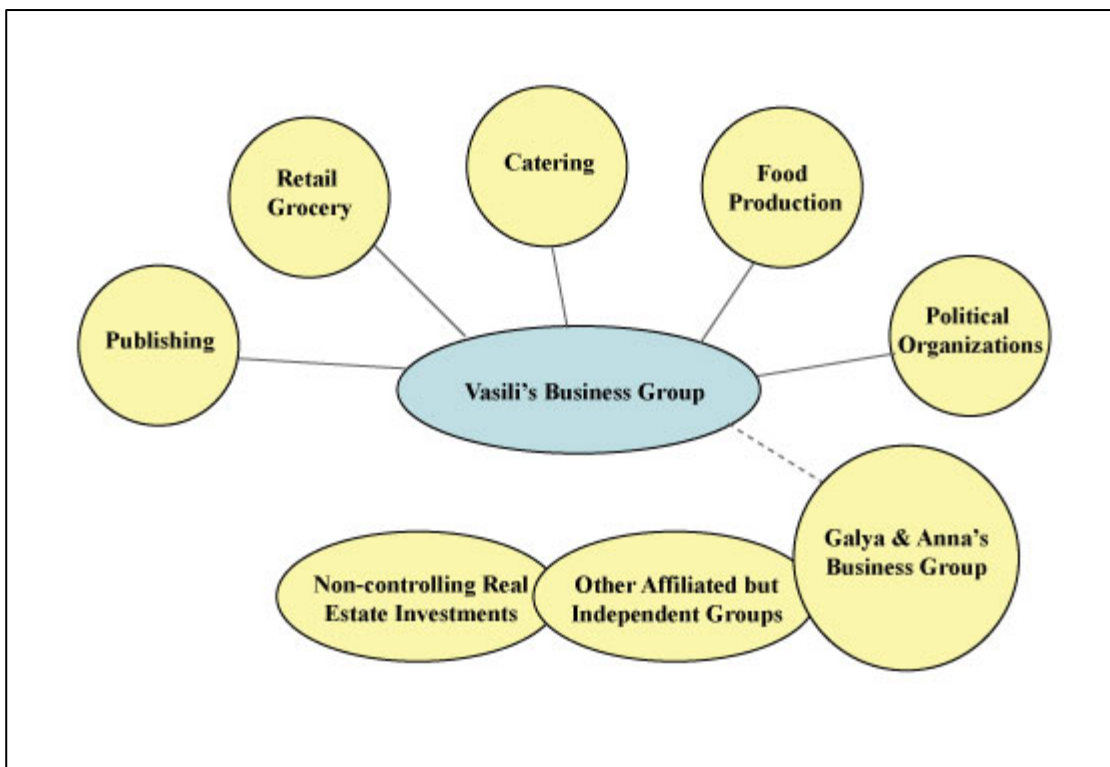


Figure 18. Vasili's Informal Business Network

Although Vasili refers to these enterprises aggregately as his “organization” and interviews with employees and enterprise directors confirm him as their boss (*hozien*), he has no formal connection to these organizations. That is to say Vasili's name does not show up on the tax records or incorporation documents of any of these enterprises. Vasili acknowledged this fact in one of our early exchanges as I wrestled with his assertion that he

was one of richest businessmen in the Republic, but did not have a single business registered in his name. His response:

Well, that's right, officially I am the owner of none of these enterprises. This question of ownership is now difficult and I am not even sure who owns what or how much officially. They are all owned by others, that's how they were registered. At present my directors are not even owners they only have salary. At the time we formed the corporations they were not at all interested in being an owner they were looking for a good place to work and a good salary. ...

Vasili concluded, with some bemusement, during the interview that his managers did actually 'own' his stores that he needed to 'normalize operations' in the near future. As he put it:

I don't own these companies, but it would not be a problem to take them back if I needed to.... I am afraid to have this conversation with current managers because I am too nice I do not have the heart of a business man (like politics) and I fear I will give away too much.

However, while ownership might have been an increasing concern for Vasili in 2001-2002, it was not the front and center issue for his most senior managers who recognized Vasili's nominal status as the enterprise owner. As one of his Directors lamented:

I could have easily remodeled all of our shops if it were not for the silly campaign...it takes every penny of profits that should go towards making our stores more attractive...

This director's complaints bring into relief two important issues. First, Vasili clearly is the nominal head of these enterprises, setting strategic direction for the group and controlling capital expenditures, while delegating daily operations to his directors and their managers. And second, while the businesses—especially the grocery chain—were accumulating substantial amounts of capital, the money was not being invested back into the businesses. The revenue instead was being poured into newspaper publishing, the development of a new political party, and supporting Vasili and a slate of other candidates in an upcoming election.

Vasili was first elected to public office in 1998 when he became the Mayor of one of 10 administrative regions that made up the Republic. Although a somewhat backwater locale, the region did have a significant industrial base and was located strategically between the Karelian capital and St. Petersburg. The position gave Vasili a platform from which to criticize the Karelian government, develop his own political allegiances with municipal authorities and the mayors of other regions, and further develop his own commercial ties/investments in the region. Given Vasili's meteoric rise in the business and political circles in Karelia, and judging from my interviews with him, he is very self confident and he has shown a tremendous knack for marketing and selling—or at least, as Chapter 5 discusses, finding and employing people that have those skills.

Galya and Anna's association with Vasili began when they were hired as bookkeepers and eventually business consultants for this policeman-cum-businessman. According to Galya, it was during their tenure with Vasili that they perfected their bookkeeping methodology, which has withstood the scrutiny of a number of government audits and investigations. Anna refers to her techniques—she was trained as a bookkeeper—as proprietary secrets. She also maintains that Vasili owes much of his success to their good

work and counsel, a claim that he confirms and extends to a number of key managers within his network that have day-to day decision making authority.

It is important to understand the specific evolution and nature of the relationship between Galya and Vasili and their respective networks. Both maintain that their enterprises' networks are now entirely autonomous, but that that they enjoy close collaboration. If, however, this were not the case and Galya and her network are within Vasili's direct sphere of influence and are normatively controlled by him, the implications for my dissertation would be significant.


The truthfulness of their proclamations of independence has a direct bearing on Galya's identity as the matriarch of her family's business network and an independent, woman entrepreneur. Although impossible to definitively state that Galya and her group act autonomously, I did set up a research methodology that gives ample opportunity to discredit her claim of independence. The challenge is that it is difficult to prove the claim, and, likewise, disproving it is challenging because cooperation or collaboration amongst firms or networks lies along a continuum of relative autonomy.

Uncovering the relationships between Vasili's 'sister companies' and the other overlapping networks or groups was challenging but possible owing to several factors. Foremost, I had access and the trust of the principles involved, so I was able to learn a great deal about structure, parties, and relationships through direct interviews and observations.

I took a multi-fold approach to ferreting out a better understanding of Galya and Vasili's relationship. First, I developed a timeline of the development of their relationship (Table 10), which allowed me to ask more precise questions about the nature and timing of their association. Second, I closely reviewed how Vasili, Galya, and others spoke about the

enterprises in their respective networks, and importantly, the normative practices around day-to-day business financing and management. For example, within Vasili's network, daily operations are left to competent management teams that have a great degree of autonomy. However, major areas of decision making such as capital investments and business finance were noted by each of the directors I interviewed as being within Vasili's domain. Finally, I triangulated my observations and initial conclusions with outside sources—individuals that I believe with a high degree of certainty can provide an independent and unbiased view of how the firms are linked.

Table 10. Partnership Timeline



1991	Ben and Jerry's first client
1992	Begin working for Vasili as bookkeepers
1993	Vasili makes first fortune and invests in grocery chain
1995	Vasili's business near bankruptcy;
1996	Galya and group start first Bakery #1—proposed project to Vasili who refused to help with financing—they eventually turn to a Moscow contact for financing for ovens
1996	Vasili liquidates some holdings and gives up a lease for space in the city center; lease is renegotiated by Galya with the city and eventually turns into her Cafe
1998	Vasili runs for regional elected office and wins

Since the first time I interviewed Galya in 1999, she has maintained that her enterprises belong to her and her family with no outsiders owning or controlling the companies. I continually attempted to validate this assertion because most bars in Russia have to pay for protection and have 'silent investors' which are often associated with 'mafia'

type groups to which protection must be paid. However, Galya maintains that her protection comes from the Karelian branch of the Russian Security Service, or FSB. In Galya's case there were rumors of 'Investors from St. Petersburg,' but I was never able to confirm this information.

Both Galya and Anna cite Vasili's reluctance to accept their counsel, which they maintain resulted in him losing his first fortune and teetering on the brink of bankruptcy numerous times, as their reason for venturing on their own. A second factor in the split was Vasili's calling to public service. While almost all current Russian entrepreneurs will agree that being in government or closely associated with those who are fundamentally important to the success of their enterprises, Vasili's perpetual opposition to the individuals in power within the Karelian government made him and his associates lightning rods for state tax police and other taxing and regulating bodies.

Vasili himself is very clear in describing Galya's group as independent, whereas he is quick to claim 'ownership' of a dozen other businesses within his network. The motivation to not be forthright about this relationship might be that Vasili wanted to protect a hugely lucrative investment in the café, which makes enormous profits from the sale of alcohol and food. However, I found no evidence that this was the case. Galya's latitude in decision-making and re-investment of accumulated capital demonstrate significant differences between her position vis-à-vis Vasili's managers (See Chapter 5 for further analysis of political campaigns).

I was also able to confirm the separate, yet interdependent, nature of the two networks with two other sources who worked as employees in 1996 for Bakery #1 prior to it becoming a bakery. The Bakery #1 was incorporated under the name as 'Goodtrade' to import

foodstuffs—mostly cheese—from Scandinavian countries. Galya and her husband initially approached Vasili about providing start-up capital and retail outlets through his stores. He was not interested, deeming the project risky with low potential returns.

Another distinction between Galya and Vasili's business groups is scale, but also important is the decision making and command and control functions of the two groups. Vasili has a range of different relationships with enterprise owners and directors, politicians, investor, and others. Vasili's control of the enterprises in his direct sphere of influence is formidable, but completely informal. While Vasili does make final decisions on how to invest money accumulated by his enterprises—cycling between a focus in reinvestment in the enterprises and investments in political activities—he leaves operations management to his trusted staff and his name does not appear on either tax roles or in corporate registration papers of the many enterprises.

In contrast, Galya and Anna are officially associated with their enterprises and maintain close oversight over all aspects of operation. In terms of major decisions, such as personnel actions or capital investments, the decision-making is, as Anna puts it: "...by consensus, but it is possible to veto projects, with the last resort simply being 'go ahead and do it, but with your own money...I don't want to use any of my money'..."

Anna's example of disagreement was opening a nightclub in the underutilized space in Bakery #2. She says there was much debate about opening the establishment because of the fear of it being frequented by 'not very likable people.' They agreed to open it on a trial basis, but one of the sisters (I never learned which) vetoed the project by being unwilling to continue supporting the staffing and management of the facility. The rationale given was that the nightclub drew a lot of unwanted attention from owners of other night clubs, which are

widely known to be controlled by criminal elements. Another area where I witnessed major disagreement was when it came to Galya's bid for a seat on the local duma. In this case, both Galya's husband and her brother-in-law resisted her attempts to spend the group's money on her efforts. (Chapter 5 discusses the dynamics of Galya's campaign in greater detail.)

3.3 DEFINING INFORMAL GROUPS

Before continuing with the analysis of Vasili's group, it will be helpful to place his group and his role within the group in the context of how similar groups have been analyzed and discussed. Building upon Soviet-era networks and practices, individuals like Vasili have gained access and control of both capitalist markets and government institutions in post-socialist countries through what are considered by many outside observers to be informal channels. In the last fifteen years, anthropologists and others have dedicated an increasing amount of attention to these individuals and their groups by identifying, labeling, and showing how they contribute and often corrupt indigenous forms of capitalism and current government regimes.

These groups are often portrayed as 'legacies of communism' and as having a profound effect on the reorganization of the state and market institutions in transitioning countries. The complicated and interdependent relationship between Vasili and Galya and a myriad of local and regional politicians and state bodies underscores the influence, importance, and variability of these groups.

As I have shown through a close inspection of Galya's and Vasili's networks, it is impossible to research private business in Russia without detailed understanding of the groups

and relationships that extend beyond the formal corporate structures of the enterprises being studied. The structural changes to the Russian economy associated with neoliberal reform (e.g. privatization, price liberalization, trade, etc.) beginning in the early 1990s have been mediated through informal relationships and groups like Galya's, which in turn are being shaped by history and politics.

While scholars have been able to associate an array of seemingly unique formations and characteristics with informal groups, the groups also have much in common, including: 1) blurring state and private interests and responsibilities; 2) operating both inside and outside of formal corporate and institutional structures; 3) being based on trust, but incorporated as legal entities that embrace the use of state sanctioned institutions and processes to protect their interests; and, 4) being an intimate part of the economy while at the same time working against the economic/social structures in fundamental ways (i.e. tax avoidance). Studying informal groups with these characteristics presents several theoretical and methodological challenges. The first of which is to show causal significance of particular characteristics or structures (Blim 2000). In the context of my work, I look for the effects informal groups have on wage earners in the small enterprises controlled by Vasili and Galya's respective groups.

It is also a challenge to understand the legitimacy or legality of these groups using western models as reference points, because many of the groups have characteristics that fall between or overlap with our conventional ways of understanding actors and institutions in a capitalist-based economy. There has also been an over-reliance on the part of some scholars working within the transition studies on implicit understandings of how the institutions in capitalist democracy function. As Mary Douglass (1975) notes, what is left implicit is often treated as self-evident or, "too true to warrant discussion and relegated to the background

where it provides the necessary unexamined assumptions upon which ordinary discourse takes place” (1975:3). Douglass warned that the play between the implicit and explicit set up precariously established “perceived-to-be-universus” that shift, topple, and are built again. I believe that the role of business in politics and the blurring of western distinctions of the public and private sectors in Russia, as well as the true nature of relationships and linkages between sectors must be analyzed and discussed with a nod to all that can be left implicit in these conversations.

An acknowledgement and questioning of the implicit allows a type of ‘reset’ of the calculus that might, for example, tell us if Vasili and others like him are ‘bad actors’ or impediments to the development of a certain kind of capitalism. For the same reason, I refer to Vasili and Galya’s respective organizations as simply ‘business groups,’ avoiding the negative imagery associated with informal groups as they are contrasted to implicit reference points of how business is conducted in the West. In truth, Vasili and Galya’s groups track in a number of ways with the characteristics of groups labeled cliques, clans, hordes, and institutional nomads described in the anthropological literature on capitalism in Eastern Europe and the former Soviet Union that burgeoned in the late 1990s. The naming of these new or reconstituted groups highlights unique characteristics and facilitates discussion and comparison across cultures. However, much of this research tends to focus on the negative aspects—vis-à-vis western models—of these groups, characterizing them as impediments to legitimate commercial activity and as having ‘captured the state’ for personal gain. (See for example, Dinello [2000]; Kryshtanovskaya [1997]; Sampson [1998].)

While the descriptions provided by these scholars may be accurate, they could also be considered ‘orientalist’ in that they are produced and understood in essentialized terms and

describe the groups as ‘penetrating,’ ‘proliferating,’ ‘subverting,’ or becoming ‘entrenched’ in pursuit of their individual/group interests—all negative imagery commonly associated with arms sales or organized crime.

Related and also in play within analysis of informal groups is the ‘essentialist rendering of the west by the west’ or what Carrier calls Occidentalism (1992:199), which in this case helps make “exotic” and perhaps corrupt organic social processes associated with the waves of capitalism or at least capitalist spirit that swept through the Former Soviet Union in the 1990’s. To the extent the newly uncovered categories and representations of capitalism and how they function are only as good as the ones they are being compared to, I describe the characteristics and tendencies of the groups, but am careful not to confuse their uniqueness with efficacy or influence.

I turn to academic research covering business management to illustrate how an alternative discourse and subject matter with a similar research cohort—family-owned businesses—results, not surprisingly, in an entirely different and in this case positive, set of conclusions. This particular example also nicely illustrates the danger in ignoring the implicit.

Gudmundson, et al (2003) reviewed the management literature on the relationship between ownership structure and innovation in small businesses in the U.S. and concluded that explicit research in the area was non-existent and that the effect of ownership was largely subsumed within the catch-all category of ‘culture’. Their statistical analysis of surveys administered to small businesses (under 500 employees) and found that:

Family businesses implemented more innovations than non-family businesses, even when customer type and

culture were controlled. They also initiated more innovations, but that appears to have occurred because they create a culture that is more supportive and empowering.

Gudmundson et al's conclusion that family businesses initiate and implement more new ideas than non-family businesses runs contrary to conventional thinking about family businesses, which is probably why the topic was unexplored prior to this research. Of course the same survey and analysis would have to be duplicated in Russia to do an actual cross-cultural comparison. Nonetheless, the research raises two important questions for the body of literature on business groups in Russia: What determinant variables are being subsumed in the larger category of 'criminalization' and what implicit assumptions or biases are western scholars using to understand Russia's emerging business culture? The next few sections of this chapter address these questions.

3.4 SOCIALIST BEGINNINGS

Precursors to the current research on informal groups can be traced to a few anthropologists studying the role of different groups in mediating and shaping state policies under socialism including (Hann 1985; Kideckel 1982; Wedel 1991). Socialist-era research is important for understanding the practices and processes associated with Russia's capitalist economy and provides for ideal-type comparisons for the groups I investigated. Sampson (Sampson 1988), for instance, described three types of horizontal and one type of vertical formation in the Romanian unplanned economy, including: 1) Family and kinship groups—e.g. sending food

to the city, helping out on the farm, getting employment for relatives; 2) common ethnicity /territory that share similar interests 3) ties of friendship—social clubs, vacation spots, old school friends. The vertical relationships took place between patrons, brokers and clients. All of these groups served as a means of securing and allocating scarce resources in a planned economy.³¹

Sampson notes that informal institutions and networks are found everywhere, but Russia and most countries of the former Soviet Union differ primarily because of the sheer scale/amount of activity that is placed in the hands of the state, which did a terrible job of meeting people's needs. He suggests that the U.S. operates along a continuum of informal practices that run from 'having connections', to nepotism, to bribery (creating a market out of favors).

Galya's group can be categorized as a horizontal formation that uses ties of both affinity and consanguinity to best meet its needs. However Galya's relationship with Vasili's group is not as easily defined. There are clearly ties of friendship between the principals of the two groups, which has created the trust necessary to do business informally. The relationship is not as horizontal as those described by Sampson, yet it would not be accurate to label Vasili as a patron because he is not using state property or resources exclusively or even predominately as a means of expanding his influence or currying favor with Galya. In fact, both Galya and Vasili are, at least at the regional government level, in the tenuous situation of supporting opposition candidates, which has meant they have restricted official influence to peddle or favors to provide.

³¹ See Kornai (1990) and Verdery (1996) for descriptions of how Socialist government used the shortage economy and controlling access to resources as a means of maintaining power.

Further, the levers that officials under an informal patronage system might have pulled are more curtailed under post-socialism as the coffers are leaner and the ability to direct energy credits or police protection are limited by the fact that institutions have either been privatized or have their own, independent systems of informal payment or patronage. Rather, the groups work together to create commercial opportunities and mitigate the risk associated with state rent seeking and other forms of state meddling in their activities. Despite this, however, the best defense against the most powerful weapon in the government's arsenal—the regional tax police—is to engage directly in politics by seeking elected office or supporting a slate of candidates for Republic, regional and local elections that would afford them some degree of protection. As Anna puts it:

You see we have to be involved in politics...our lives and business are at stake. If XX wins for mayor, it may well be the end of our business. He has strong ties to Moscow (which means big money) and would think nothing of selling as many buildings as possible. To advance his own political career and fortune he would sell us out without a second thought.

Anna's fears are well founded. The sisters have a 10-year lease directly with the city for their café space, which means the terms of their lease are about three times cheaper than the current market rate. Evicting them so that the space can be leased to a political supporter or business associate of the Mayor would be highly desirable, as would selling the entire building to a political supporter. Many buildings situated in desirable locals have also been privatized to facilitate eviction of this nature. Needless to say, this type of environment has made local elections extremely important to the protection of business interests; with

entrepreneurs and first-time candidates spending large sums of money to support particular candidates or run for office themselves.

When Vasili was elected as a regional mayor (The position is now called head of region—*Glava Municipalnaya Rajona*), he still was unable to develop or operate anything that resembled a traditional patronage system due primarily to the relative scarcity of resources at his disposal in his formal capacity. The position did, however, allow him to use his personal resources in a different capacity—where Vasili the mayor couldn't help, Vasili the entrepreneur could. He provided financing, distribution channels for products, and technical assistance for failing businesses. For example, he describes the evolution of a fish processing plant that he now includes in his list of assets under his control thusly:

They visited me when I was mayor and asked for space to start a small business making processed fish products. I gave them the space and after a few years they came to me and said unless you help we will go bankrupt. I instructed [my firm] to purchase the enterprise, leaving the same director in charge, but it is now managed by a woman, who is a very strong and tough manager. They are now productive and profitable and we own them.

Vasili's ability to successfully merge the officialdom of being mayor with his private resources and expertise allowed him a degree of effectiveness that neither role individually would have afforded him.

After his election to regional office, Vasili's role did shift to more closely align with how Thomas Graham (1999) describes Russian oligarchies. Graham maintains that it is the close intertwining between property and power that has allowed these oligarchies to exist both

historically and today in Russia. He describes Oligarchies as political-economic coalitions built around control of key government positions, significant financial and industrial assets, information gathering agencies and instruments of coercion that are active in setting the political agenda, limiting policy choices, and, most importantly, making decisions of which the product or outcome seems to come from a formal institution. In other words, much like the United States at various places and at different times—say Louisiana under Huey Long or more contemporary state and municipal level corruption, which are well documented in places such as Mississippi, Connecticut and New Jersey³².

Graham suggests that the classic notion of an Oligarchy in Russia started after the death of Stalin when a collective leadership arose through the hierarchical structure of the CPSU to compete for power by leveraging resources from major portions of the economy such as industry, power and defense. Graham also sees the fall of the Soviet Union as a reshuffling of political power away from industrial-based networks to that of the financial and banking coalitions, which fits well with Johnson's (1997) observations about the role of banking and financial power in the late 1990's discussed below.

Stark (1996) describes the ethnographic literature focused on Socialist Eastern Europe as showing "a social world where domains were not integrated coherently...a second economy where the mix of social relations did not conform to officially prescribed hierarchical patterns..." 1996:36) The description holds true today though official institutions and representations of the post-socialist world are different. He argues that "organizational innovation is not replacement but recombination of routine practices, organizational forms and social ties that have now become the basis for coordinated action in post-socialist times"

³² Source: Corporate Crime Reporter, 2004.

(1996:36). Stark's conclusion that actors were creating 'multiple futures' not *on* but *from* the ruins of socialism fits well with my observations about the innovative and entrepreneurial nature of the groups I studied, and the practical ideologies used by Galya, Vasili and their managers.

In Hungary, Stark (1999) found mixes of ownership by the state, private firms, and private individuals, with different social actors holding different bundles of rights, and the definition of the status of property being blurred and ambiguous. He suggests, like the success and dynamism of light industry in Chinese villages, that success comes not from privatization of property, but from clarification of property rights (Walder 1994 in Stark 1997:57)

In Russia, entrepreneurs I spoke with about property rights described three distinct phases of individuals' outlook towards property. The first phase occurred as enterprises were privatized under Boris Yeltsin. The combination of neoliberal rhetoric and the fact that the state was in essence giving away its assets put a premium on outright ownership of real and personal property. However, the imploding economy, vast production inefficiencies and the large social obligations built in to the enterprises that were acquired led to a massive sell-off of assets and what Burawoy calls *Merchant Capitalism*—seeking profit only through trade not through a reorganization of production (Burawoy and Krotov 1992).

As local and regional governments reclaimed or were simply left with decimated property, the second phase was borne. Entrepreneurs turned to leasing the space and buildings they needed. Leases are often negotiated between politically connected entrepreneurs and the government at the 'official' lease rate—well-below market rates as described above—and seen as low-cost alternatives to ownership. Space was often carved out of larger enterprises or unused basements in apartment and commercial buildings. Lease

arrangements also usually have none of the carrying costs associated with ownership of former state enterprises such as providing utilities and social services to the population surrounding the facilities.

The third distinct phase from about 1999 on again placed a premium again on property ownership. As capital flight out of Russia slowed by the early 2000's, and Russia's business elite found themselves in a mini-crisis of over accumulation, they turned inward, capitalizing on difficult access to credit and a booming economy, to begin a round of native investing. This time, however the emphasis has been placed on productive capacities, with owners seeking foreign and native investment for capital improvements or equipment leases to increase production. The emphasis on production has had a significant impact on the Karelian labor market, driving real wage increases well above the inflation rate, at a real growth rate of 10 percent in 2002³³ and production and GDP increasing steadily over the last eight years.

Wedel's (1992) research in Poland during the late 1980's provides an important look into the social processes that were in place prior to the disintegration of the Soviet Union. In particular, she studied social circles (*srodowisk*) of Polish citizens, which she characterized as a "...mechanism of social organization which enable informal economic activities and a shadow bureaucracy w/in the state that allows things to get done very quickly..."(Wedel 1992:14). Social circles were used to exchange goods and services and provide mutual benefit; the circles were able to better circumvent, connect, and even reorganize political and economic institutions. Her work is instructive because she documented rules and rituals that guided the development and survival of these groups and points the way to focusing on normative practices under socialism that still play an important role in the current economy.

³³ Source: Karelkomstat 2002.

In Russia, a corollary process to the circles described by Wedel might be the use of *blat* to procure goods and accomplish tasks. Ledeneva's (1998) ethnography of *blat* is helpful for understanding the function and 'informal' nature of transactions and business formations in contemporary Russia. She outlines how *blat* developed during the Soviet era into an 'economy of favors' which represented the reaction of citizens to the social constraints they faced. Importantly, she characterizes *blat* as not being used with an eye towards creating debt/or being compensated (like gift exchange) but with an eye towards further developing trust. In other words substituting compensation for risk, which, I would add, is still a form of exchange.

Blat worked in the areas of goods, services and income, which were rationed by the state, but distributed by informal means during Soviet times. She argues that the Soviet economy had a powerful inner logic and language of its own that included strongly internalized rules, methods and unwritten codes that were internalized over two generations of Soviet Citizens (1998: 212). When goods and services became available in the market, even if costly, the role of blat was diminished in these two realms (1998: 206). She shows how the 'greening' of blat has made favors and access actually cost money and suggests that this might be the root of much of the corruption and bribery that is now commonplace in Russia. Yet, beyond corruption, she is able to document several areas of adopted continuity—practices that have been modified to fit the specialized needs of a market economy, including how procedures have been rationalized in private firms around areas of employment and education. Both Galya and Vasili, for instance, hire through word of mouth and prefer relatives of current employees or children of friends and acquaintances. They have also developed contacts at trade schools to offer internships to the most able students. The

arrangements continue a tradition the schools once had with formerly state-owned facilities that no longer hire at the same levels or rates; bringing new workers into trusted circles and further cementing the relationships with the schools needed for finding dependable employees in a job market that is competitive for high-quality workers.

3.5 CONTEMPORARY GROUPS

Verdery describes what she calls “unruly coalitions” comprised of large clusterings of former party member elites in Romania. She contrasts these groups to political parties as being “less institutionalized, less visible, less legitimate and less stable” (Verdery1996:194). She is able to draw a connection between these groups and the disastrous proliferation of pyramid schemes in the early 1990s. David Stark (1996) looks closely at groups involved in property rights he calls clans and says that transformation in Romania is from ‘plan to clan.’ However, he puts a positive spin on these groups saying that capitalization of these pre-existing networks is the most effective way to transform the economy. He likens these groups positively to the economic networks that control the function of the Japanese economy (Stark1996 in Verdery 1996). Kryshatanovskaya describes groups of elites in Russia that are headed by a politician that controls either a territory or a major government function. She characterizes these groups as a product of “political space where three persons fought for power: the governor, speaker of the local [regional parliament] or the mayor” (Kryshatanovskaya, 1997:2). She says that in most regions the main battle was between the mayor and the governor “...for they had the power and enjoyed the support of financial industrial groups” (1997:4). She contrasts these groups to clan structures, which “...have no

registered structure...[and]...are united by a community of views and loyalty to an idea or leader” (1997:2). She cites the “Chubias group” as an example.

Kryshtanovskaya’s analysis makes the important point that all of these groups operate within *contested* elections, which means their power can be (and often is) challenged by competing or contrary interests in the region.

The work by Juliet Johnson to document and understand the rise and significance of financial industrial groups (FIGs) in the Russian economy during the late 1990s provides an excellent background and knowledgebase from which to understand Vasili’s operations.³⁴ The first distinction she makes is between registered and unregistered FIGS. Registered FIGs are authorized under federal statute and come with certain rights, responsibilities and limitations such as banks being prohibited from participating in more than one group. There could also be no more than 20 enterprises in a group and the group could not employ more than 25,000 workers (Johnson 1997).

The restrictions forced many FIGs, especially ones that were ‘dynamic’ or bank led to simply not register with the State. The FIGS ostensibly served two primary purposes during the 1990s: 1) allow managers to maintain control of enterprises after they were privatized; and, 2) mitigate some of the risks associated with the economic instability of the time by “...creating vertically integrated, closed production cycles, centralizing contract enforcement, [and] facilitating barter arrangements (Hendley 1997) in (Johnson 1997). Johnson found that among both registered and unregistered FIGs, bank led FIGS were often best positioned to lobby the government and conduct reforms within enterprises, whereas the industry-led FIGS

³⁴ In Russia these groups are referred to as *FPG* or *finansovo-promyshlenyye gruppy*.

often represented attempts to prop up failing, uncompetitive, socialist-era enterprises that were not able to reform (1997:335).

Johnson's analysis does not include the conglomerates in the energy sector led by Gazprom or bank holding companies that unite financial institutions, but which do not directly invest in enterprises. She also did not include industry-led non-registered FIGs, which Johnson described as either in the process of registering or more informal groups that were based on Soviet-era ties and did not plan to register (1997:334). Vasili's group is probably most closely associated with this latter group described by Johnson with two differences. His group is much smaller in scale than the groups described by Johnson and focuses primarily on newly created entities, not previously state-run enterprises. Nonetheless, the motivations for establishing a FIG are similar. Vasili's diversified holdings allow him to create supply chains (e.g. from the dairy to his stores or from Galya's bakeries to his catering business), and create accounting opportunities to reduce tax burden, mitigate cash flow challenges and provide access to expansion capital in Russia's tight credit climate. It should be noted that by 2001, the problems with contract enforcement had been solved primarily through the market, which punished non-performance and fraud by withholding future business.³⁵

FIGS—registered or not—are probably most recognizable through the rise of the Russian billionaires, or 'oligarchs' in the 1990s. The term oligarch in Russian has become shorthand for a rich and dishonest businessperson. In the Western press, the term is most often associated with the ultra wealthy that came into their money and power through the

³⁵ See Hendley, et al 1999 for a detailed analysis of the challenges in the mid 1990's of enforcing contacts.

theft, or at least the unfair acquisition of State property through rigged auctions, or perhaps dealings with the ‘Mafia’.

In Petrozavodsk, ‘state sponsored’ or state-friendly newspapers—those that either editorially support office holders or are directly controlled and financed by individuals or groups aligned with government officials—refer to Vasili as an “oligarch.” Figure 19 is a news article from one of the newspapers aligned with government. I have included a sizable excerpt from the article as it illustrates a number of important points relevant to understanding business and politics in Russia. First, is the obvious attempt to align Vasili with the unpopular Berezovskii, even though there is no connection made between the two in the article. Second, the notion of incriminating documents—in this case a sales agreement to sell a certain brand of vodka exclusively—is painted as somehow nefarious. Finally, the bottom paragraph suggests that because the distillery is state-run, it should not do business with private individuals or companies (the challenge and confusion around what constitutes public and private is discussed below).

Vasili refers to himself as an ‘entrepreneur’ (*predprinimatel*), which has a more positive connotation for Russians in comparison to oligarch or *biznesman*.. Which is a more accurate signifier is not easy to discern, and depends a good deal upon one’s vantage point and predispositions. I would note that I was not able to uncover any evidence that Vasili received ownership or equity shares from any privatization schemes or shady transfer of government assets commonly associated in the western press with the Russian Oligarchs who rose to prominence in the late 1990s. The below examples of his management style and informal control over several enterprises also highlight an indeterminacy in property rights that Vasili was able to exploit using his extensive social capital and sphere of influence.

**Deputies of "Moctorg" empire are financed by money got
from alcoholic beverage industry.**

An election is a expensive process. The oligarch and the forefather of the commercial purchasing empire (the empire that trades and purchases goods) "Moctorg" Vasili X understands this well. That is why he tries to find as much money as possible for his pre-election campaign. He believes that all means are suitable for gaining victory and leaves no stone unturned. This is also because he takes part in the election not alone – he tries to help his associates to take up the post of the mayor of Petrozavodsk and get into the Legislative Assembly. The surnames of his associates are known: I. Pxxx, E. Sxxx, B. Txxxx, I. Gxxxx and others.

People say that cash resources of Boris Berezovskii are used in the pre-election campaign of the oligarch Vasili X. But as it turned out not only these cash resources are used. A document fell into the hands of our editorial staff and it claimed that the pre-election campaign of these people might be supported by the money of the state enterprise, distillery "Petrovskiyi", got from alcoholic beverage industry. The document is the contract for co-operation between "Petrovskiyi" and the restricted liability society "Firm Moctorg", concluded on November 23, 2001 for a term of one year. Some articles of the treaty arouse bewilderment and suggest an idea that cash resources of a state enterprise are used in the interests of a private person; and you have probably guessed who the person is.

Figure 19. Sample News Article on a Karelian Oligarch

Vasili also does not fit the stereotypical image of an oligarch or even a “New Russian.” Although his public image is carefully scripted, and he acknowledged being ‘one of the 10 wealthiest individuals in Karelia in 1999’ his private life is not extravagant. He has a nice flat, but it has not been remodeled to ‘euro-standard’. He’s proud of the fact he does not even own a car, let alone a Mercedes. He can often be spotted strolling on the sidewalk with his wife and children.

Vasili’s sense of why he wanted to be an entrepreneur and politician are similar. Whether speaking about ‘his people’—the citizens of the region where he was mayor (1999-2001³⁶) or the people that were employed in his stores and other enterprises— he often spoke of his obligation and responsibility to look after people. His paternalistic tendencies and the language he used to describe his role are reminiscent of soviet-style management practices and sentiments. In short, Vasili’s paternalistic orientation seemed to blur his role as businessperson and public servant. On a walking tour of a small town that was the administrative center of Vasili’s region where he was Mayor, which consisted of only a few buildings, a church and a mostly open air market, Vasili remarked: “We will soon have to enforce regulations on these stores...this is an unsanitary way for people to buy meat and produce.”³⁷ When I observed that this appeared to be the only market (*renak*) in town (Figure 20), Vasili retorted “soon we will have a real grocery store in town with freshest products and consistent quality.” The store that would open a year later was one of his, and with most of the kiosk venders out of business, the store had a thriving business and no competition.

³⁶ Vasili stepped down in 2001 as Mayor of one of the administrative regions of Karelia to focus on his campaign to be the Prime Minister of the Republic in 2002.

³⁷ Karelia has 18 administrative regions including three major cities that have mayors and city/municipal councils.



Figure 20. Outdoor Market

Similarly, when the previously state-owned dairy—one of the larger employers in the region—came to Vasili in his capacity as Mayor looking for capital and tax relief to modernize its packaging and better market its products, it was Vasili the businessperson that was able to help. As Mayor, he could offer little in the way of resources, but as head of a large grocery store chain, funds and a product distribution channel were arranged. Four years after Vasili left the Mayor's office, newspaper articles describe Vasili's profession as general director of the dairy.

Other examples make Vasili's motives seem possibly more altruistic. For instance, when the regional school districts went insolvent in 2002, barely able to pay salaries and not able to provide a hot, nutritious lunch for the students and teachers, Vasili's catering and wholesale businesses stepped in with free meals for children and teachers for the duration of the school year. This humanitarian overture was most certainly tactical—the recipients of this largess were potential voters and there is always the possibility that the schools may someday be in a position to pay for the services being provided by Vasili. According to several retired teachers I spoke with, many of the teachers themselves relied on the hot meal provided by the school as their primary source of sustenance; often choosing not to retire or to work for the low wages paid by the schools because of the meal.

Returning to Vasili's sausage story, the issue of how this story is represented is an important one. I argue that the story should be taken at face value with no nefarious inferences as to Vasili's complicity in his competitors' demise. By avoiding implicit understandings and thus judgments about what Vasili's group is and how it should function—specifically its role within traditional definitions of the public and private sectors—and presenting the sausage story from an emic perspective, my analysis is not forced immediately

down a path of proving or disproving the deleterious impact of Vasili's actions. Instead, I focus on understanding the role and function of these groups within the political economy of the burgeoning sphere of small and medium-sized businesses in Russia.

3.6 WHAT'S PUBLIC AND WHAT'S PRIVATE

In order to better understand the role that Vasili's and Galya's groups play in Russian life and more specifically the role small business entrepreneurs are playing in the development of an emerging capitalist economy, it will be helpful to step back and examine the 'space' in which they are operating. Common wisdom sees the 'sectors' of our society as bounded entities associated with clearly defined activities and responsibilities. Gal (2002) offers a conceptualization that places Vasili's group and actions in a different light. She points out that

"public" and "private" are not particular places, domains, spheres of activity, or even types of interaction. Even less are they distinctive institutions or practices....they are also, and equally importantly, indexical signs that are always relative: dependent for part of their referential meaning on the interactional context in which they are used (2002:78).

The context in which public and the private are discussed in contemporary Russia was shaped by socialist planners and cemented in cold-war dichotomies that sought to paint and maintain differences between state socialism and capitalism (Kideckle 1992). For their part socialist planners, as it is well known, sought to extend state control into the private sector;

eliminating the “private” in favor of socialization of production and commerce³⁸. More recently, some anthropologists, using common wisdom definitions for *public* and *private* have labeled groups or individuals operating across these bounded spaces with terms that have negative connotations, such as clans and cliques where the term ‘family-owned’ might be substituted (cf. Coulloudon 1997, 1998; Dinello 2000; Glinkina 1998; Graham 1999; Humphrey 1991; Kryshtanovskaya 1997).

The context and sector in which Vasili and Galya operate should not be bound by reifications—“the tendency to convert abstract concepts into entities” (Gould 1981:25). The Russian business world that has shaped and been shaped by their experiences is a combination of socialist-era paternalistic state policies/tendencies, unrelenting markets and a wide array of resources, relationships and practices upon which to draw to make their businesses successful and ensure the safety and well-being of their families.

³⁸ See Fraser (1990) for a discussion of the ‘public sphere’, based on Jürgen Habermas’ 1962 ‘*The Structural Transformation of the Public Sphere*’ and in particular the ways socialist planners conflated the state apparatus doing the citizen’s bidding with true public discourse and association.

4.0 LABOR AND PRODUCTION STRATEGIES

The previous chapter dealt with the composition and function of business groups—mostly natural extensions of individual and family ‘circles’ of friends—that support business activity. However, the groups are only part of the equation when it comes to setting-up and running a business venture that is actually successful.

The shop floor, or in this case, the bakery floor, is a rich and multifaceted field site for understanding implications for and of labor in a quickly emerging capitalist economy. The argument I put forth initially was that the road to a capitalist mode of accumulation in Russia was far shorter and less problematic than much of the published research in the 1990s seems to indicate. The caveat to this blanket statement is that capitalist development is never even in any give space or time. While small business in certain sectors may have the ingredient to rapidly emerge, other industries and sectors could experience much slower growth or transformations. See Sewell (2005:278) for a discussion of *uneven* and *combined* capitalist development and Raphael Samuel’s (1977) documentation of these concepts in the Victorian textile industry. The bakery floor, as the nexus of entrepreneurs’ strategies for seeking ever increasing efficiencies in search of even greater profits and the workers’ responses to these strategies, and their circumstances more generally as they make their way in the world, is an ideal place to test just how challenging the shift to capitalism has been.

Early in the dissertation I referred to the space in which these entrepreneurs reside as *retrofit*—both literally in terms of the buildings they now occupy and figuratively as they mix norms, rules and strategies of Soviet-era workplace with the latest in management techniques including those exposed by the One-Minute Manager/*odnominutnij menedxher za rabotoj* (Blanchard and Johnson 1981) and Marketing for Dummies/*Marketing Dlja “Chajnikov”* (Hiam 1997), which enjoyed immense popularity as bootlegged translations and now appear in bookstores under legitimate license.

This chapter discusses a wide variety of efforts to control labor, which differs for hourly employees and managers, but includes everything from elaborate payment plans and inventory systems to promises of friendship and appeals to employees to adopt a ‘competitive spirit’ for the firms and thus their own success.

How labor and production strategies are enforced gets to a critical issue in Marxist labor theory that deals with the mechanisms used by capitalists to extract surplus labor from workers. For a capitalist economy to function effectively it must be able to exert enough influence over the workforce to ensure a continued addition of value in the production process —i.e. a good or commodity produced must be worth more than the labor and materials needed to make it. Marx called this ‘surplus-value’ (Marx 1972).

The Russian entrepreneurs I investigated well understood the concept of surplus value and how to achieve it. One bakery had a daily production output of about 16,000 loaves, but made a respectable profit by recording between 40-50 percent of its sales. In other words, the firm paid all overhead—payroll, taxes, fuel and electricity—and still cleared a profit using

revenue from about 50 percent of its actual sales.³⁹ The other half of its daily sales—off-the-books cash transactions—were entirely profit for both the producer and likely the retailer, whom in a similar fashion never records the purchase or the sale. This is a great example of how ties to a larger network, such as Vasili's with his dozens of retail grocery stores, can be extremely beneficial to an enterprise.

I should note that while I have confidence in the accuracy of the production levels I have reported for this particular bakery, accurate information on production rates is some of the most difficult data to obtain from a Russian enterprise. As one bookkeeper put it:

I have no problem giving you the information on salaries, fines and bonuses, the big problem is talking about production levels. You see, this information is a commercial secret. You understand we have white clients and black clients—[meaning some clients are on the books and some are off the books] Sharing real production levels equals real revenues which is our secret...

The independent bakeries in Petrozavodsk—by the end of 2002 there were probably a dozen—were exploiting a historical lack of competition in the industry, which had led to inefficiencies at formerly state run bakeries and consequently, artificially high consumer prices for bread. As a result the independent firms had a relatively high profit margin on the bread they sold and were consequently accumulating capital at astonishing rates. I should also note that I found the same techniques—related to tracking production and the cost-of-goods sold—in

³⁹ I do not name specific bakeries or enterprises, following a general principle that I do not attribute any documented activity that could be construed as illegal to any specific source. I would also add that this particular firm's books have been thoroughly audited on several occasions and have passed muster each time.

1992 when I was reviewing the ledgers of wood processing firms in an attempt to develop firm valuations for the American investment company. The Soviet-era bookkeepers kept two sets of books in order to successfully manage and track the machinations associated with trying to please the State and satisfy customers, suppliers and employees—not much different than the current objectives of the bakeries. However, exploiting market inefficiencies, finding protection and support within their business networks, as outlined earlier, and resorting to variations on past bookkeeping practices are only effective in conjunction with a well trained, productive workforce.

This chapter uses ‘labor control’ as a lens to explore the political-economic transformations in the Russian workplace that make capitalist accumulation possible. Harvey (1990) describes labor control as “...an intricate affair [that] entails ...some mix of repression, habituation, co-option, co-operation...” (1990:122). Labor control can be seen as a societal-wide basket of strategies, laws, norms, and policies aimed at socializing or re-socializing the individuals to the rigors and expectations of working in a capitalist system.

Beginning in the 1980’s anthropologists focused on several aspects of wage labor including international division of labor, new forms of production and generally the ways in which control over labor processes is managed (Ortiz 2002). Anthropologists and others working in formerly socialist countries have also shown that the power Russian workers once shared in the workplace was eroded throughout the 1990’s (cf. Burawoy and Krotov 1993; Clarke 1993; Kideckel 2000; Lampland 1995; Silverman and Yanowitch 2000; Szalai 2000). I argue that in Russia’s case the new, asymmetrical power relations are a product of the adoption and manipulation of technologies, ideas, and images associated with capitalism, and of vestiges of the former socialist order that were well suited to supporting capitalist accumulation.

In a review article Ortiz (2002) maintains that while anthropologists have been very concerned about social and labor relations on the shop floor (cf. Holzberg 1981) and have more recently paid a good deal of attention to control and development of ‘flexible’ labor and production processes, “...they have often disregarded an intermediate level of analysis: the relationship of producers and industries to relevant actors in their respective regional markets” (Ortiz 2002: 396). I discuss composition and activities of the wage-earner teams or brigades (*brigadii*) in the face of managements’ strategies. In particular, I focus on the development of brigade solidarity and the ritualized responses to the more coercive strategies employed by certain entrepreneurs. I want to note upfront that brigade solidarity appears to have little ultimate influence on management’s ability to control productivity, efficiency and quality in the bakeries, and in fact the close relationships with brigades might work to the management’s advantage. What is also apparent, despite the wide spectrum of labor control strategies resulting from managements’ ability to control its workforce is that the end results were often identical—management was able to create significant surplus-value in production. Burawoy (1979) suggests that managers’ efforts to manufacture consent to increase production and efficiencies are aided in large part by workers’ social relations that contribute to the invisibility of the exploitation (in Ortiz 2002: 408). Well documented examples of this phenomenon are scarce, but include Chomsky (1998), De Neve (2001) and Fernández-Kelly (1985).

The wide-ranging, yet mostly successful, approaches for managing the workforce suggests that labor control strategies and the underlying regime of accumulation are setting the direction and nature of capitalism in Russia, and that workers’ response to the new environment is mostly one of accommodation—both intentional and unintentional. To

understand the efficacies and antecedents of the labor control strategies in the enterprises I researched, I follow Harvey (Harvey 1990) in borrowing language and concepts from the French Regulation School.

4.1 SOCIALIST-ERA LABOR CONTROL STRATEGIES

One challenge I faced when exploring current Russian labor practices was determining what practices were ‘new’ and which ones were socialist holdovers or some mix of the two. I have worked through this challenge partially with analysis of the language used in describing particular policies and rules in the workplace (discussed below). I also conducted a series of retrospective interviews with retired employees of the former state-owned bread factory, many of whom were the parents and grandparents of the brigade members I was working beside.

However, it wasn’t until I recently read Miklos Haraszti’s (1978) *A Worker in a Worker’s State* that I realized the extent to which socialist-era practices influenced current configurations and workplace norms within enterprises that hadn’t existed even seven years prior. Haraszti documents first-hand the physical and mental strain it takes to work in a machine shop against an unrelenting schedule and shop floor rules perversely designed to keep workers racing to simply attain a living wage. Two things stand out in reading his account: First is how similar many of the production and labor management practices in the machine shop are to Galya’s bakeries. And second is that the workers’ attitude of “when you work you earn” (1978:39), in relation to a complex and exploitive system of piece rate pay

that set unrealistic production expectations, is remarkably similar to the attitude of the brigades in two of Galya's bakeries. Haraszt writes:

A lot of piece workers go along with the idea: very few think it is because of the system of payment, rather than through a fault of their own that they make nothing for the minutes spent studying the blue print, drinking a glass of water, blowing their noses, resting a little or their changing tools (1978:49).

The parallels between Galya's electronic inventory management system (described below), and the daily 'work-sheets' in the Hungarian factory that dictate the number of pieces to be made as well as safety protocols and cutting speeds that are impossible to follow and still meet the quota are striking. Figure 21, for instance, shows the maximum production levels required in Galya's Bakery #2 in ideal circumstances.⁴⁰ The levels are so high for individual employees that they could not be realistically met, even if all breaks and safety/sanitary rules were ignored, yet the policy sets the expectations for what should be accomplished each day by the brigades.

⁴⁰ Source: Corporate policy document from Bakery #2; September 4, 2001.

Общество с ограниченной ответственностью « Хxxx»
г. Петрозаводск ул. Ленина, XX

(Limited Liability company « [bakery#2] «
185000 Petrozavodsk street. Lenin d. XX)

Приказ № 37 от 04 сентября 2001 г.

Приказываю:

Ввести нормы выработки кондитерских кремовых изделий за 12 часовой рабочий день на 1 человека.

[I order: the following performance standards for confectionery cream products for one 12-hour shift for 1 person.]

Наименование [product name]	МАХ. На полную загрузку рабочего времени, без учета заявки*	MIN. С учетом заявки, площади хранения готовой продукции в экспедиции и отгрузки**
(Specialty Cakes)		
Метелица, Киевский 0,5;0,7	69 шт (count)	53 шт
Торты бисквитно/кремовые 0,5 (все)	103 шт	74 шт
Торты бисквитно/кремовые 1 кг	94 шт	68 шт
Слоеный "Наполеон" 0,5 кг	94-102 шт	68-74 шт
бисквитно/кремовый "Трюфель" 1 кг	86 шт	60 шт
Фруктовые торты 1 кг	60 шт	38 шт
Заказные [Custom-made]:		
• бисквитно-кремовые 1кг	34 шт	8 шт
• фруктовые 1кг	34 шт	8 шт
• свадебные 1 кг	8 шт	3 шт
Пирожные [pastries]:		
• Наполеончик	600 шт	231шт
• корзинка кремовая	1200 шт	291 шт
• Трубочки	1200 шт	291 шт
• Фруктовое (нарезное)	686 шт	231 шт
• Корзинка фруктовая	600 шт	171 шт
• Фигурное	857 шт	231 шт
• Картошка	1200 шт	343 шт
• бисквитно-кремовое (нарезное)	857 шт	231 шт

Директор [director]

Xxxxx G.B.

* Maximum production for a shift not taking into account the daily order levels.

**Minumum production required production taking into account the daily order, storage and speed of shipment.

Figure 21. Maximum Production Levels—Bakery #2

The retrospective interviews also helped me better understand current practices by elucidating socialist-era production and labor management strategies, such as harsh, collective-wide fines, loss of bonuses for poor quality work, and direct surveillance techniques such as physically patting down employees at the end of the shift. These conversations also confirmed that working in collective, industrialized positions altered people's experience of work, which laid important groundwork for shifting the ways in which collectives are now managed on the shop floor (Lampland 1995).

The interviews also confirmed what is legion about socialist era workers: They had an arsenal of tools for neutralizing or mitigating management attempts to increase labor productivity (Kahan, et al. 1979). Practices included shirking, absenteeism, 'storming the plan', and looting, which in most shop floor usages of the word meant producing over what was called for and thus making more money (Haraszti 1978:40). The workers' strategies were effective because they shared power in the workplace. Socialist managers were dependent on workers' tacit agreements to work at a certain level of productivity, because the soviet system rewarded firms for maintaining high numbers of employees while punishing enterprises for not 'meeting the plan.' Attempts at changing labor and production practices ran the danger of upsetting the status quo and invoking the above-mentioned tactics. I would note, however, as Haraszti experienced and Ward (Ward 1990) documents, the parameters for what is acceptable in the workplace rules and production levels are set by management.

Interviews with the mother of the staff biologist/manager of Bakery #2, who was herself a retired worker from a state bread bakery, were illustrative. The two often compared notes and shared stories about differences between working in a state-owned socialist-era bakery and her daughter's experience within a private bakery. The older woman described

much harsher work conditions in terms of the employee discipline and surveillance including being physically searched as they left their shifts. In contrast, Maya (the daughter) who works as a manager and technologist at Bakery #2 sees herself as a mother figure, referring to the employees as her girls and enforcing strict workplace rules with materialistic overtones that endeared most employees to her, but helped her keep tight control over the day-to-day production.

Labor control strategies in any type of industrialized economy can be characterized as running along a continuum from overtly authoritarian to fully hegemonic (Burawoy 1979) on one end. The Contested Exchange model (Bowles and Gintis 1988) highlights combinations of employment rents, surveillance, and overt threats of firing as the primary mechanisms for enforcing a general contract between labor and capitalists. In contrast, fully hegemonic control strategies reconcile the conflicting interests of workers and capitalists in such a way that workers consent and support the enforcement of the management-labor contract.

Within the enterprises I investigated, I found enormous complexity and variation along the continuum presented above. The reality for many of the enterprises I investigated is that the level of coercion depends on the level/type of employee as well as which factory is being discussed. Nonetheless, for those entrepreneurs who tended to fall on the ends of the continuum there are some major philosophical and strategic differences for dealing with employees.

This section provides some background on two entrepreneurs with very different approaches to labor management. First is Galya, and second is Victor, a 40-something-year-old who was once a director at one of Galya's bakeries, who has worked in food production his entire life, and now owns his own bakery.

I asked Galya what she thought the most difficult issues were for business owners in Russia. Her responses were hardly surprising:

“...It’s a dangerous time for us and our families; the government has a lot of power and they can shut us down now...there is little we can do because our people are not in office...and of course theft, they [the workers] would take everything if they could...”

Galya’s management practices reflected these concerns. Stopping theft and forcing increases in productivity had seemingly become an obsession and I was confronted with a complex and authoritative system of workplace rules, remote and direct surveillance, and harsh fines when I began my participant observation in her enterprises. Figure 22 illustrates level of fines that could be levied against workers in #2.

**Общество с ограниченной ответственностью «Bakery #2»
185000 г. Петрозаводск ул. Ленина, 28**

Limited Liability company « [bakery#2] »
185000 Petrozavodsk street. Lenin d. XX

Приказ №

2001г.

В соответствии с внутренним распорядком по предприятию и особенностями классификации пищевого производства, при невыполнении трудовых обязанностей и нарушения трудовой дисциплины производственным персоналом, приказываю сократить размер премий за нарушения:

1. Каждую рабочую смену – за невыполнение заявки без уважительных причин – на 20 %;
2. Каждый единичный случай – за санитарное состояние и личную гигиену – на 5%;
3. Каждый единичный случай – за нарушение трудовой дисциплины (опоздания, нерегламентированные перерывы и т. д.) – на 1%;
4. Каждую рабочую смену – за санитарное состояние, эксплуатацию технологического оборудования, инвентаря и тары – на 3%;
5. Ремонт и обслуживание оборудования, вышедшего из строя по вине работника, осуществляется удержания с премиальных стоимости ремонта.

Директор ООО «[Bakery #2]»

Xxxx G.B.

Translation:

According to the enterprise rules and food manufacturing guidelines, for employees not following duties and breaking rules, I order to reduce the size of bonuses for infringements:

1. Every shift that fails to meet the daily order without a valid excuse—20% reduction
2. For each individual incidence of failing to meet sanitary requirements and personal hygiene standards—5%.
3. For each incidence of disobeying labor discipline rules (delays, independent breaks, etc.) - 1 %;
4. Each shift - for failing to meet sanitary condition related to equipment, inventory room and product packaging - 3 %;
5. Repair and service of equipment that has failed as a fault of the worker, cost of the repair is deducted from the bonus.

Figure 22. Factory Fines Policy—Bakery #2

Galya's bakeries provide pastries, cakes, breads and deserts to her cafe as well as area grocery stores, restaurants, cafeterias and schools associated with the informal business group with which Galya is affiliated. Up to 175 full and part-time wage earners are employed by Galya's enterprises, which have a daily production capacity of approximately 18,000 loaves of bread, 500 sponge-cakes (*biskvity*) and thousands of croissants, buns, and pastries. Long hours, cramped, ill-designed workspaces and strenuous activities are common to all three enterprises, while the gender, age, and brigade composition vary significantly from enterprise to enterprise.

Victor, on the other hand, owns a single bakery that specializes in made-to-order cakes for special occasions. The price-points for his products are 50-75 percent higher than Galya's, making his product a true luxury item and status symbol. He "brands" all of his cakes with bright red boxes and has an on-line ordering system that lets "business executives" order over the internet (Figure 23).

кондитерская

Торт "Бенский лес"

Три тонких шоколадных бисквита соединенных вишневыми сливками с добавлением вишни. Поверхность украшена лимонными сливками, обсыпана настоящим шоколадом. В качестве декора используются цукаты "Красная французская вишня". Возможно исполнение стандартное (с пампушками), с розами и комбинированное.

Торт "Яблоня"

Три тонких классических бисквита соединенных яблочными сливками с добавлением прослойки из измельченных яблок. Поверхность обсыпана сахарным декором, украшена рабскими яблочками и зелеными ананасовыми лепестками с яблочным вкусом.

Торт "Монтезир" Ананас (Абрикос)

Три тонких классических коржа бисквита соединенных лимонными сливками с добавлением ананаса. Поверхность обсыпана минеральными лепестками и украшена кусочками ананаса. "Монтезир" Абрикос делают на основе абрикосовых сливок с добавлением персика.

Торт "Монтезир-полушара"

Оригинальный торт, который можно подавать к столу как вкуснейший десерт. Торт сделан из тончайшего бисквита в виде полушара, заполненной сливками с разными вкусами. Отделка торта в зависимости от вкуса. Вес 700 грамм. Используются сливки со вкусом абрикоса, вишни, клубы с крыжовником, черники в йогурте, Капучино.

Торт "Шоколадный"

Шоколадный бисквит, шоколадные сливки, шоколадный декор. Шоколадное удовольствие плюс немного ежевики или малины.

Оригинальные торты

Торт "Бисквитно-кремовый"

Бисквитный торт с прослойками так называемого "масляного" крема. Крем мы изготавливаем на основе натурального сливочного масла фирмы "Валто". Возможна различная отделка (юбилейная, детская, свадебная). Бока торта обсыпаются бисквитной крошкой либо арахисом. Выпускается также бисквитно-шоколадный торт (с добавлением какао).

Торт "Фруктовый"

Бисквитные слои соединены взбитыми сливками. Сверху торт украшен фруктами (клубника, вишня, ежевика, малина, персик, ананас), заливными желе, и белоснежными сливками. Возможна различная отделка торта.

Свадебные торты

Надписи на тортах бесплатно
Доставка в черте города от 1,5 кг - бесплатно
Работаем без выходных

Figure 23. Color Slide of Cake Varieties

Victor is not engaged in politics the way that Galya is, and is not directly associated with a formal or informal group of businesses, though he is a member of the League of Private Bakers and an outspoken advocate for small business reform. He was trained in bakery management and worked his way up to middle management positions at a state-run bakery before losing his job to downsizing in the mid 1990's. He is a voracious reader and has a particular taste for American marketing and business management texts that have been translated into Russian. Figure 24 is an opinion editorial penned by Victor and published in a Karelian Government-sponsored newspaper. The article is important because it shows how he frames the issues confronting small business and reveals Victor's main tactic in trying to effect change—basically making an economic argument that smarter policies will lead to more tax revenue for the city, which is in marked contrast to Galya and Vasili's attempts to affect change through direct political action.

Victor does not have, nor is he directly linked, to a network of other companies the way Galya is. He received loan financing from a newly rich married couple with connections to one of the largest industrial enterprises in the Republic to capitalize his start-up. He characterized the couple as “friends that you can't let down,” but never really specified what that meant. The loan he received was backed by his word as collateral. His ability to get private financing highlights a growing issue of over accumulation in some segments of the Russian economy. While capital flight was the problem in the 1990's many newly wealthy Russians prefer to find quality domestic investment opportunities. Victor also penned several editorial pieces for various newspapers—both aligned and opposed to the current government administration—which in a way demonstrates his neutrality. The articles call for tax breaks

for small business, government sponsored credit programs for business expansion and a reduction in government regulation.

When I started my own business three years ago, I needed money. But back then it was easier to take credit from a private person. I paid the money back in one and a half years. At present 15 employees work in our company, and every quarter we pay taxes that are about 120,000 rubles. Our enterprise is developing, people get high wages, almost the highest when compared to the wages of other confectioners. During the past two years we managed to increase the money deducted for taxes by 10 times. Right now we need money for further growth but we cannot get bank credit. We are forced to stand still although we have all the preconditions for further growth. Our enterprise, actually founded on nothing, managed to find a niche of our own, forced out part of the St-Petersburg's production and gave jobs for the city. I fully agree that today we need a clear policy of the city's authorities; we need a special unified program for supporting and crediting small-scale enterprises. It must be not only be a proposal, there are loads of those floating around. We need a program that will really work. At present those who risked starting a business of his/her own and were successful, manage to receive good results in spite of everything. The state has no strongly pronounced interest in the development of production and service sectors. But no one knows why that is as a policy is undoubtedly necessary. I personally see only one real problem. There must be no private motivations by members on the committee that will make decisions on giving credits to enterprises. It's not a secret that the majority of our deputies who are businessmen, the ones who actively defend their interests, do not care much about the problems of the city. Economists, scientists, city mayors – those who are interested in the development of the city's economics and the replenishment of the budget—must determine the fate of the policy. Look, if our enterprise could get additional resources for development, I guarantee, that in a year and one-half we could increase our sales and therefore the deductions for taxes could increase a minimum by 2 times, maybe even more. And this is only concerning our enterprise. Just imagine the results if a right small business loan program on a city-wide scale. If we talk about it generally, I believe that the future is in our small-scale and middle-scale enterprises. Our industry giants will not be getting out of the crisis they are in for a long time.

Figure 24. Victor's Op Ed Article on Small Business Financing

Victor actually worked for Galya before venturing out on his own. According to both, they currently enjoy friendly relations because they are not direct competitors. Because he once worked for her, Victor continually contrasted his style of leadership and strategies for managing his enterprise with hers during our conversations. The differences between their approaches are striking and central to the arguments in this chapter.

My earlier contention that workplace power has shifted away from workers would intuitively make it seem more likely that worker strategies for mitigating efforts to force productivity would be less effective in the face of a stronger hand by management. This was certainly true in Galya's enterprises. However, Victor and others have moved away from harsh tactics in favor of creating what they call "good collectives," which encourage employee responsibility and the development of partnerships with management. As Victor puts it: "...my main job is to build-up my employees...I work on creating an environment of trust..." In contrast, Galya has implemented an ever-escalating set of tactics and policies designed to, as she says, "...keep them [the employees] under my thumb."

Victor offers two points of evidence for the efficacy of his approach. First is his monthly profit margin, which he uses to measure productivity and efficiency, and infers raw material usage (and thus employee theft) respectively. He notes "...I imagine a bit [of inventory] goes missing every month, but this is the cost of doing business...I do not mind if the girls have some small perks...". With unofficial monthly profit margins approaching 170 percent, he probably does not need to worry about petty theft.

Second, Victor proudly notes that brigade members have no qualms about reporting theft by other brigade members, with several workers justifying what is considered by Galya's employees as the most serious breach of workplace etiquette by saying " ...not telling was

like stealing from myself.” This type of overt breach of brigade solidarity is perhaps the greatest difference between Victor’s and Galya’s brigades’ normative shop floor rules.

So why do Galya and Victor fall on opposite ends of the labor control spectrum when it comes to managing hourly wage earners? How differently do the brigades respond to the strategies in place? And most importantly, which approach is most effective? To answer these questions it is first necessary to look closely at the philosophies and strategies employed by Galya and Victor.

I conducted research at Galya and Victor’s bakeries with the usual ethnographic methods: interviews, workplace observations, informal conversations and working as a full-fledged brigade member in three different enterprises. I also used an employee satisfaction survey to capture demographic and attitudinal information, future plans and consumer habits; the survey had over a 90 percent response rate in both firms.

Briefly, Galya’s management strategies, born of soviet-era practices, trial and error, and translations of several popular ‘western’ management books including: 1) A computerized inventory and production management system; 2) modified Soviet-era systems of financial rewards and fines; 3) recruitment and hiring strategies that play to the popular appeal of Galya’s ‘western’ café; 4) systematic training and advancement opportunities; 5) invocation of ‘capitalism’ and the ‘private’ status of the firm as justification for workplace rules, fines and demands on productivity. Less overt but important practices include the use of her identity as a mother, primary provider for her family, and entrepreneur, a word that has a positive

connotation in contemporary Russia, as opposed to ‘businessman’ and the generation and use of images of consumption, glamorous life, community activism, etc.⁴¹

Victor’s management strategies are simpler in contrast. He eschews highly centralized and coercive management and production/inventory controls and manages by what he calls his ‘three golden rules:’ “...If you steal you’re fired *without* discussion, if you drink on the job you’re fired *without* discussion, if you’re late or absent without calling you are fired *with* discussion...” Beyond these expectations, which the employees agreed were very reasonable, there are no bulletin boards filled with rules and mandates or threats and fines for missing production. Instead, he offers work-place perks and incentives including what he calls an “autonomous work environment where no one is looking over your shoulder,’ free rides home after the late shift ends, discounts on product, as well as more nostalgic overtures such as access to a vacation resort in the summer. He follows in many respects the classic Russian patriarch-manager—a fatherly figure who masks toughness with concern for his mostly female employees.

On the basis of job satisfaction, which I measure by the level of worker agreement with the two questions: *I like to work in this place,*’ (Figure 25) and *This is a good place to work in comparison with other places where I could work* (Figure 26) it appears that Victor’s approach creates a much higher job satisfaction rate amongst the staff. His employees are almost 2.5 times more likely than Galya’s to answer positively to the first question and only 8 percent of them (versus 40 percent for Galya’s employees) disagreed with the second question.

⁴¹ I take up many of the less direct control strategies in the next chapter that focuses on Galya’s role as a *woman* entrepreneur.

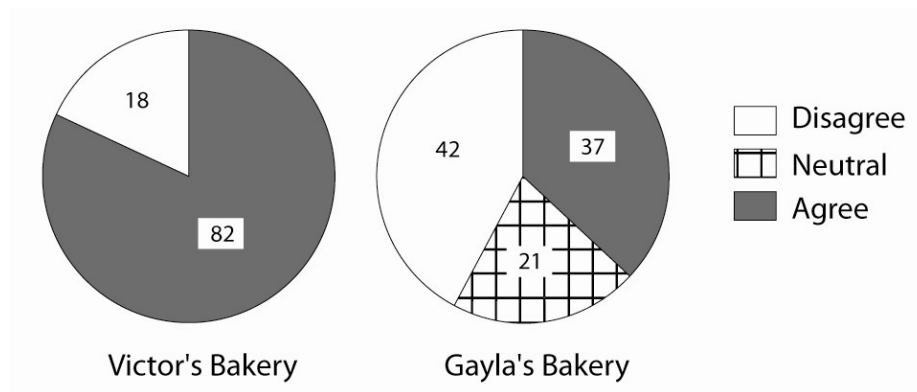


Figure 25. Employee Satisfaction
(Percentage of employees who agree with the statement: "I like to work at this place.")

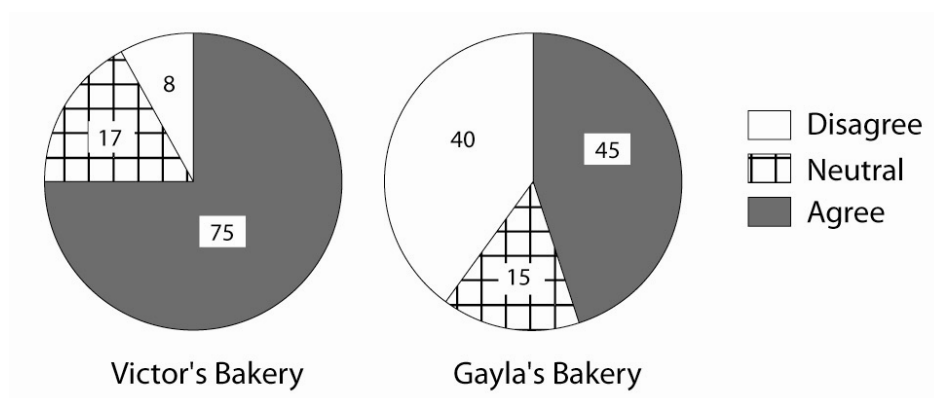


Figure 26. Relative Employee Satisfaction
(Percentage of employees who agree with the statement: "This is a good place to work in comparison with other places where I could work.")

Table 11 shows Galya's employees were twice as likely to say they intended to look for a new job in the upcoming year. Table 12 provides a proxy for allegiance by showing the level of financial incentive it would take to get employees to take a new job. The majority of Galya's employees at bakery #2 would take a new position if offered an additional 700 rubles or less (about a 20 percent increase over average wages at that bakery) and the remainder would leave if offered an average increase of about 1,500 rubles per month. In contrast, all

but one of Victor's employees would require an additional 4,400—almost double their current salaries and 2.5 times more than Galya's employees would need to leave for a new position.

Table 11. Employee Loyalty

	Victor's Bakery	Galya's Bakery #2
Agree (fully & partially)	33	67
Neutral	33	17
Disagree (fully and partially)	17	11 t

Percentage of employees who agree with the statement: 'In the next year I plan to look for a new job.'

Table 12. Employment Retention

Bakery	300r more per month	500r	700r	Other (avg. in rubles)
Galya's Bakery #3	8	25	0	66 (1,125r)
Galya's Bakery #1	12.5	0	12.5	75 (1,438r)
Victor's Bakery	0	9	0	91 (4,400r)
Galya's Bakery #2	6.25	6.25	50	37.5 (2,388r)

Percentage of employees who agree with the statement: "I would take a new job if I could make 300 rubles more per month, 500r more per month, etc.

However, as the next section on brigade solidarity illustrates, allegiance to the employer is not the only or even the most important measure of employee satisfaction. Figure 27 shows employees' opinions about the quality of their *kolektiv*.⁴² Over 80 percent of Galya's employees agree that their collective is healthy, while only 58 percent of Victor's employees feel the same way. I added the question about the *kolektiv* to the survey because it was cited by employees often in interviews and conversations as one of the best aspects of working at Galya's Bakery #2. The notion of worker solidarity takes on special, arguably causal significance in the context of employee control and productivity in the workplace.

⁴² The Russian word *kolektiv* best translates in English to the common usage of 'office culture' or 'work environment.'

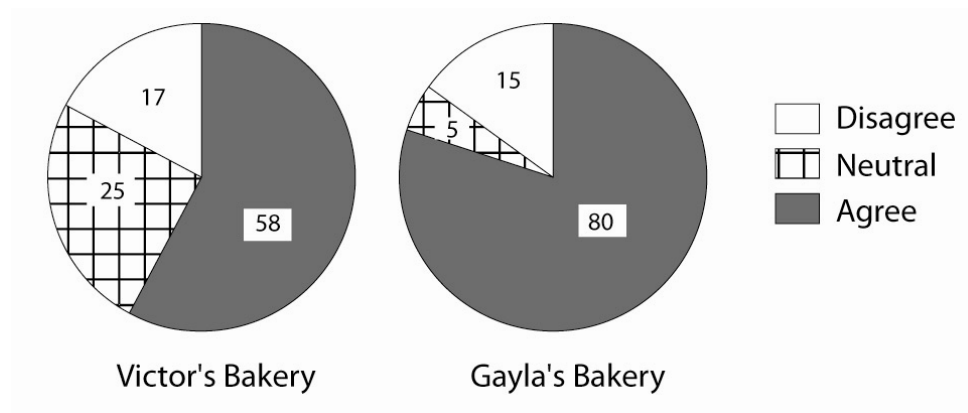


Figure 27. Employee Satisfaction—the Collective
(Percentage of employees who agree with the statement:
“The collective here is healthy.”)

4.2 PAY AND BENEFITS: A STUDY IN CONTRASTS

One of the most significant differences between Galya and Victor bakeries is how workers are paid. Both employers use a simple ‘Fordist’ classification, or ‘payment per rate,’ system that puts employees into three basic categories: Young workers doing practicum for almost no wages as part of their degree requirements for school; 1st year employees who are on probationary status and receive about 50 percent in salary of regular employees; and those that have been employed over a year. Galya tracks and pays for performance at the brigade level, but proportionally fines each brigade member based on their salary level. She also tracks employees on an individual basis by insisting on worker production quotas and testing brigade members separately using a quality and productivity test. Workers in both bakeries have bifurcated salaries with one-half of a worker’s official salary coming in the form of a monthly standard bonus (*premiya*). While most employees consider the bonus as part of their base pay, the funds are paid in cash and no taxes or benefits are paid in this portion of

employees' earning. In addition, employees receive occasional bonuses, based on individual member performance (Figure 28), which are not part of this equation.

<p style="text-align: center;">Общество с ограниченной ответственностью «Хххх» 185000 г. Петрозаводск ул. Ленина д. ХХ [Limited Liability company « [bakery#2] « 185000 Petrozavodsk street. Lenin д. ХХ]</p> <p style="text-align: center;">Приказ № 31 от 27 июля 2001 г.</p> <p style="text-align: center;">[Order № 31 From July, 27, 2001.]</p> <p>За участие в конкурсе «Современное производство кондитерских изделий» приказываю:</p> <p>1) Объявить благодарность с занесением в личное дело.</p> <p>2) Выплатить вознаграждение в размере 100 рублей следующим работникам:</p> <p>а) Хххх V.E. б) Хххх O.S. в) Хххх V.V. г) Хххх T.V. д) Хххх V.V.</p> <p>Директор ООО «[Хххх]» (Хххххх G.B.)</p> <p>Translation: For participation in competition « Modern manufacture of confectionery products » I want to:</p> <p>1) Officially thank you for entering this the private affair [not an official work function].</p> <p>2) Pay compensation in the amount of 100 rubles To the following workers: [Director, LLC <<Bakery #2>>]</p>

Figure 28. Sample Employee Bonus Announcement

Victor pays bonuses and gives raises based on individual performance and merit only and does not have a system for levying fines against the entire brigade. The contrasting methods reinforce the respective general management strategies of the two entrepreneurs. Despite the fact that employees of both enterprises are about equally likely to agree with the

statement that “my pay corresponds to the work,” Victor’s employees are less likely to report they want to leave and generally have a much higher satisfaction with their place of employment. Galya’s employees are more likely to want to look for another job and report being willing to leave for relatively small pay enticements. Her brigades, however, are much happier with their work *kolektiv*—the environment and social relations the brigades create on the bakery floor—in this case, in response to Galya’s management style.

Victor and Galya clearly approach management of their enterprises differently and their efforts produce significantly different opinions on (and different criteria for) job satisfaction and employee allegiance. However, by other criterion the enterprise are not distinctly different—both pay about the same wage rates, have high productivity rates, make consistently high-quality products (albeit to different market segments) and have about the same rate of staff turnover—less than three percent annually. What is the significance of these divergences and similarities? The next section discusses in greater detail Victor and Galya’s management strategies and the implications for their respective firms and employees.

4.3 BRIGADE SOLIDARITY

Victor enjoys what he calls allegiance to his firm. He treats his “girls” like extended family and his paternalistic style in how he speaks to them and reacts to issues that arise on the shop floor are readily apparent. On several levels the strategy is paying off. Productivity and product quality are consistently excellent, employee job satisfaction measures are positive and his work force is by and large self-directed.

In contrast, the first thing that comes to Galya's mind about her employees is that they steal too much. To the extent she does act maternally towards the staff, most employees would agree they would not want her as their mom. However, Galya's employees truly enjoy working together, just not necessarily for Galya's bakery. Victor's employees on the other hand, express their aforementioned allegiance to him and his company seemingly at the expense of their collective environment and brigade relations.

There is an interesting twist related to Galya and Victor's contrasting management approaches. As I mentioned earlier, Victor had at one time worked for Galya and held the title of director of Bakery #2. Although I was never able to glean direct criticism from brigade members and managers about Victor, I got the impression that he was not much liked by the most of the women that had worked at the bakery during his tenure, with one notable exception: One of the bookkeepers lamented to me about how much better the business ran under Victor: "...this place ran much better under Victor....we had much less game playing and silliness. Now it is like a kindergarten around here..." She made the observation to me while we watched a brigade leader successfully negotiate down the size the baking order (*zayavka*) for the upcoming shift.

While the irony of the statement was probably lost on the young bookkeeper, it's easy to see within the context of this analysis. Galya saw Victor too trusting and easygoing as a manager and changed her management systems to be much more coercive. The result has been, at least from the bookkeeper's perspective, less control in the workplace.

To understand this inversion and provide useful distinctions for discussing the solidarity and allegiances of the brigades at Galya and Victor's bakeries, it's helpful to think about Durkheim's (1997) two basic types of social cohesion—mechanical and organic

solidarity. Mechanical solidarity describes the "collective type" of society which is characterized by an interdependency that rests on a similarity of strongly formed sentiments and values, shared activities common to all the members of the group, and ties of kinship and cooperation. Giddens suggests that within this type of social cohesion there is little scope for differentiation between individuals: each individual is a microcosm of the whole (Giddens 1971:143).

Conversely, societies characterized by organic solidarity establish social cohesion not through shared beliefs but through the interdependence created within the increasing division of labor. In this case solidarity depends on individualized consciousness. This kind of solidarity is more abstract and may be weakened when people fail to comprehend the ties that bind them to others.

Without taking the analogy too far, Galya's brigades have formed a mechanical solidarity based upon a confluence of how they are hired, trained and controlled in the workplace. By way of evidence, I offer a description and analysis of Galya's inventory control system and the ways in which workers both accommodate and attempt to circumvent its intent. At one level the system does control inventory and stop theft by ensuring that workers pay for what is taken. At another level the system supports inter- and intra-brigade social relations, which are already focused on supporting friendships and families because of the way employees are recruited and hired, placed, and managed on specific brigades.

In contrast, solidarity at Victor's bakery seems directed towards the firm and the benefits the workers can get from having the bakery be successful. Because Victor does not have the byzantine rules and coercive practices that require close cooperation on the shop floor, solidarity rests on how individuals interpret and respond to the values and ideals of the

enterprise, which have been introduced and are reinforced by Victor through his management philosophies and personnel policies.

Birgit Muller (2007) documents socialist-era brigade solidarity and communal life that at first blush appears to have been an inversion of what is occurring at Galya's enterprises. Through retrospective interviews she documents that "the obligation to stay together destroyed the joy of being together..." when it came to brigades being forced to participate in *socialist competition* and other activities or rituals meant to reinforce party ideology in the workplace (2007:71). Workers described themselves as becoming withdrawn from their colleagues' lives once they were forced to "fight for the cause of the famous socialist collective (2007:70). However, in documenting the extreme lengths workers would go to pretend to participate—for example reproducing the same periodic newsletter, but craftily and with great effort taking care never to introduce new information or writing into the newsletter—she documents brigade solidarity and communal life that is analogous to the brigades' response to Galya's inventory system, which I describe below.

4.4 INVENTORY MANAGEMENT: CONTROL AND SOLIDARITY

The heart of Galya's efforts to manage inventory and control theft is a computerized, just-in-time production and inventory-tracking system that calculates needed raw material inputs (flour, sugar, frosting, etc.) and matches daily output to demand. The central purposes of the system is to track raw ingredients down to the gram—for the type and quantity of product made so that fines can be levied against the brigades either for missing daily production quotas or surpassing the norm for the amount of raw materials needed to meet the daily order.

From a management perspective, the system seems to make little outward sense as it is inefficient and expensive to implement in terms of lost production time. From a brigade member's perspective, accommodation of the onerous, demeaning and overtly coercive inventory system allows them reason to develop inter- and intra- brigade relationships that, unknowingly to them, ultimately masks the level of exploitation to which they are subjected.

In order to understand the subtleties of the activities engaged in by the employees related to inventory control, it is necessary to understand how Galya's system is designed to work. Each day at Galya's cake bakery the dispatcher takes phone orders for cakes and pastries until 8:00pm. Based on these phone orders, standing orders from major clients, and projected sales at the bakery's own store, the dispatcher generates a list of ingredients and the exact amounts (*norma*) needed to prepare some 30 different varieties of cakes (*torti*) and 30 or so varieties of pastries that make up each shift's production order (*zayavka*). Each brigade in the bakery is responsible for managing and accounting for the amount of ingredients they use. The system works like a checkbook that must be balanced at the end of each shift. When there are 'shorts' in the inventory—either in the final product or in raw ingredients—the brigade members must make up the differences through docked pay.

On average, 20 percent of a brigade's day is devoted to this tracking of raw material. At the onset of each shift the Brigade leader transfers the information on the daily order to a paper ledger that tracks all ingredients against the products made that day. This is a detailed list that tracks the dozens of ingredients and supplies a brigade will use in a shift down to the gram. At the end of each shift, the brigade leader or her designee will add up all ingredients used and attempt to reconcile them against what was called for in the order. To do this, each brigade carefully weighs all of the remaining ingredients—down to the last slice of

pineapple—and records this information on the ledger. The incoming brigade starts the cycle over by adding the residual supplies weighed by the outgoing brigade to their ledger along with the ingredients brought up from the storeroom to get a beginning balance for their shift.

Each ingredient is listed on the ledger and has a predetermined price. For every gram that the ledger is short (difference between what was used in production and what is called for on the *Zayavka* a fine (*straf*) is levied against the brigade. The bookkeeper makes surprise inspections on the daily inventory to make sure that there are no discrepancies between what the girls say was being held in inventory and what is recorded on the ledgers.

These inspections result in brigade members from different parts of the bakery scuttling around behind the bookkeeper hiding pails of flour, sugar or other ingredients or giving them to other brigades for temporary safe keeping. Several brigade leaders said these were just insurances against being short. Others confided that these were goods intended for home use.

At the end of the month, the daily ledgers are added together by the bookkeeper and matched against an aggregate list of ingredients checked out from the storeroom for that month. Where there are ‘shorts’ fines are levied on a brigade-wide basis. When these fines are added to fines for tardiness, sanitary conditions, and poor product quality, the totals can be quite steep. For example, when a baker ‘tears’ cakes because her pans were not sufficiently greased, the fine is 25 rubles per incident. One bad batch of cakes—there are 100 cakes per oven—can easily erase the day’s wages and sometimes much more. A typical month’s worth of fines levied for inventory shorts alone can be as high as 700 per month, or almost 30 percent of a typical brigade member’s net monthly salary.

Somewhat ironically, but perhaps intentionally, the system does little to alleviate theft. It does reduce the cost of theft, but because there is no direct surveillance—bags are not checked as women leave, for example—taking things is part of the normative rules of working at the factory. Outwardly, the system seems to reduce large-scale theft or at least mitigate inventory shrinkage by collecting fines, but the system does not work entirely the way management believes it does. Because incoming brigades *never* weigh the ingredients on-hand at the beginning of their shift, and because doing so would be a major breach of workplace decorum, brigades never know if their starting balance is accurate or not. So every time a worker takes home raw material or a brigade treats itself to a cake at break time, it is the next brigade that will pay the fines for those thefts.

If the inventory system creates a type of balanced reciprocity between the brigades and if economic utility is its primary purpose, the system should function as long as no one individual or brigade takes too much and tips the scales of what any one brigade pays in fines versus what they get to take home. However analysis of the monthly inventory logs shows that fines levied by brigades for inventory shorts could differ by as much as 40 percent, suggesting an unequal distribution of reciprocity across the system. The level of true consternation expressed by brigade members that receive high fines or the intimation that a few brigade leaders need ‘new glasses’ or should stop drinking in order to calculate the inventory correctly (outright fabrication of the ledger is never mentioned directly as a possibility) lends credence to the fact that balanced reciprocity is not always apparent. So why is the system so resilient and why doesn’t the practice change among the brigades that are continually shorted in the exchange? I believe the answer to this question may lay in the

maintenance of relationships created between the workers—mostly female and in their early 20's—as they are put through Galya's exacting training regime.

As a mechanism to control inventory shrinkage and manage production, the system seems inefficient and stands in marked contrast to most of the business decisions and market savvy that have made Galya and her extended family so successful. For example, in one month 21,000 ruble fines were levied against the brigade members. The fines amounted to 8 percent of that month's payroll (excluding taxes and benefits), yet these nine workers spent almost 80 hours at an average rate of 17 rubles per hour entering information into the ledgers, which put labor costs for maintaining the system at 1,360 rubles plus 80 hours of lost productivity, which translates, using a conservative production cost estimate, to almost 20,000 rubles in lost revenue⁴³.

Two key questions to consider about Galya's inventory management system are: What purposes does the system serve if not implemented for outwardly economic reasons; and What are the unintended consequences of this system's implementation? First, there is a practical security matter. According to Galya, Bakery #2 has to be staffed 24 hours a day, seven days a week, because of the threats of break-ins and theft. Evidently, full-time guards, which are hard to come by and not very reliable, are no substitute for a building full of bustling women. The other practical reality was that once the trams and buses stopped running, it would be hard for employees on the second shift to make their way home in the middle of the night; thus, the twelve-hour shift. This seemingly pedestrian answer makes a good deal of sense, but leaves the factory with more production capacity than it needs, or with idle hands, which for a group of mostly 20-something-year-old employees can mean all sorts

⁴³ Calculations based on the bakery's daily production per worker as a guide using an average wholesale cost of the most popular products.

of trouble. Thus, the time-consuming and expensive inventory system, which stresses management's concern for theft and kills some excess time each shift.

Another explanation is that the management doesn't mind that the girls steal small amounts—as long as they get the level of production and quality they need—but can't condone the practice because of the loss of control it would imply. The inventory system allows energy to be focused on skimming and brigade members will continue to 'bring stuff home' as long they feel like what they pay in fines is less than the value of goods they bring home. I should note that the verb 'to steal' is never used and it is clear the girls draw a bright line between taking some sugar for the table or a few pastries for the kids, over, say, stealing an entire day's worth of cake boxes.

This second explanation, while seemingly implausible does have an analogous precedent. Returning to Haraszti's experience, he notes that:

The only satisfaction the piece rate worker has is the belief that ultimately he is going to squeeze good money out of the company. [to do this] He has to surpass 100 percent production (against the norm) in order to obtain, for himself and his family just enough to live, so he can start the next day over again. (1978:62).

To bypass the required production quotas is called 'looting,' (again not in any way associated with stealing) which is the act of increasing one's daily pay rate by increasing the number of parts you make above the required level. Too much looting and thus too much money going to the wage earners causes management to lower the piece rate paid to the workers. This perverse loop has workers working harder and harder just to make the barely adequate living wage. The system works for the managers because they get the productivity

they need while insisting that all safety rules and production standards be met, even though the rules and standards have to be ignored by the workers to make the daily rate, much less some extra money for looting. Like skimming the inventory in Galya's bakery, the risks of looting are known as are the costs, depending on how much you can get away with, but the practice continues and in the process takes the focus off more troublesome, but harder to solve issues such as work conditions, actual pay rates, production requirements, etc.

The contention that Galya's brigades have formed an organic solidarity around attempting to accommodate and circumvent inventory control is important for several reasons. First, it may be why the brigades tolerate a system of unequal reciprocity. The act of accommodating the time-consuming and demeaning system, as well as attempting to circumvent it, serve to solidify and maintain important social relations even at the cost of having to pay for those relations when certain individuals or brigades take advantage of the system.

Second, it provides a rationale for management to keep implementing the system, despite its modest cost recovery and its high cost in terms of lost productivity. By keeping so much of the brigade members' attention focused on a perversely controlling inventory system, workers never question or even focus on the amount of product they are required to produce, or the poor and often dangerous work conditions.

This solidarity also makes for a high quality, team-based approach to the immense amount of hard and dangerous work required of the women. Heavy lifting includes moving up to four 80 kilo sacks of flour and sugar up from storage in the basement to the bakery floor each shift. It also requires that boiling-hot syrup in brimming 5-gallon vats be hand-carried across slippery floors at least four times during each shift—one brigade member had

burn scar that disfigures one entire hand and arm from a fall while carrying the syrup. The cake decorating itself requires meticulous, fast work while standing on hard floors and in uncomfortable positions throughout the 12-hour shifts. During peak times of the year, brigades actually double-up using the floors as work tables to as much as triple production on a given shift.

Galya's bakery has a reputation for high-quality, exquisite cakes that are expensive, but affordable for special occasions. The prices are reasonably competitive with the formerly state-owned bakeries and ingredients are of the highest quality and often imported. In other words, productivity and quality does not seem to be diminished (and I would argue the opposite) by the solidarity formed to circumvent or resist Galya's labor control strategies. In this way, Galya's *mode of regulation*, while not outwardly hegemonic in the same way as Victor's style seems to be a successful and stable model of labor control in that it ensures high levels of productivity

But the rituals of solidarity performed by the employees, who do not inform on each other even when it would be economically rational to do so, reinforce this economic system. From a shop floor perspective, it appears that the way workers go about both implementing and attempting to circumvent Galya's system has created, or at least supports, an informal and unacknowledged system analogous to what Malinowski (Malinowski 1922) saw in the Kula—an elaborate system of circular gift giving in the Trobriand Islands that was the subject of his classic ethnography. At Galya's bakery the inventory system seems to support a form of balanced reciprocity by redistributing the fines associated with taking supplies and cakes to the brigade that works the next shift.

Malinowski's initial inference about the Kula was that it created social obligations that helped establish friendly relations with trading partners, maintain contact over distance and enhance prestige at home (Malinowski 1922; White 2002). Mauss enhanced this view by showing that the gift giving was part of a total system of giving that has a specific economic utility (Mauss 1990). In Galya's bakery, the economic utility may be illusionary.

In contrast, Victor's mode of regulation is designed to be more hegemonic and seems to be successful to the extent that his workforce has not developed solidarity in opposition or response to his efforts. One of Victor's control strategies is the paternalistic way he manages his employees. This holdover from Soviet management practices stands in contrast to his more 'western' management philosophies on product branding and 'guerilla' marketing. The combination suggests that behind many of his progressive management practices (free rides home from the late shift, paid vacations, relatively high wages), and much of the rhetoric of supporting and nurturing his 'family,' lies at least the threat of more coercive strategy for labor control.

A case in point is when two brigades convened an unusual meeting to discuss the employee satisfaction survey that I have administered. The survey, evidently, got the women thinking collectively about some things they didn't like about their work environment. Collective discussion or action associated with the survey is not what Victor had in mind when he allowed his bookkeeper to pass it out and collect it, but his response to me, anyway, was one of chagrin with a small amount of bemusement. His response to the brigade members, their complaints and the fact that the women were citing the newly published Russian Labor Code—a document that garnered a fair amount of interest amongst employees

when it was published in 2002—was to matter-of-factly point out he was more flexible than the code and that he had their true interests at heart.

To make his point, when one young woman failed to call in after deciding to stay home sick he told her, per the labor code (but quite uncharacteristically) that she was fired.⁴⁴ The seemingly harsh and arbitrary dismissal (she was later rehired) drove home a two-pronged message: maybe it is not so bad to work for Victor on his terms; and he has all of the power despite his somewhat relaxed management style. This interaction is an excellent example of semi-autonomous social fields (Moore 1973) discussed earlier work in practice.

In contrast to Galya's employees, Victor's brigades are, however, fairly self-directed and self-disciplined. They work hard not only for the pay, but also for the success of the bakery. In this way Victor structures his enterprise and controls his employees quite differently from Galya, yet enjoys much of the same result—a productive workforce producing high-quality merchandise in an efficient and highly profitable way.

4.5 LABOR AND PRODUCTION STRATEGIES

To guide my analysis and make some general statements about labor processes in the enterprises where I conducted my research, I have modified a schema (Table 13) originally developed by Swyngedouw (1986) to illustrate the discontinuities between Fordism and Flexible Accumulation (in Harvey 1990: 177). Swyngedouw argued that all of the characteristics were in transition towards flexibility, but this does not seem to hold true in

⁴⁴ It's arguable as to whether his interpretation of the codex was accurate, but it did illustrate his point nicely.

Russian labor markets and commercial sectors where I conducted my research. I have modified the charts by adding arrows in a new center column to show the direction of change in the enterprises I investigated. An arrow in both directions denotes that both regimes are operating at the same time. A second arrow for an individual characteristic denotes the direction of the transition where discernable.

Table 13. Fordist V. Flexible Labor Management

Fordist Production	Karelia	Just-in Time (Flexible) Production
Single task performed by worker	→	Multiple tasks
Payment per rate (based on job classification)	↔ →	Personal payment (detailed bonus system)
High degree job specialization	→	Elimination of job demarcation
No or little on the job training	→	Long on-the-job training
Vertical labor organization	→	More horizontal labor organization
No learning experience	→	Learning on the job
Emphasis on diminishing worker's responsibility (disciplining of work force)	↔	Emphasis on worker co-responsibility
No job security	↔ →	High Job security for Core workers. No job security for temp. workers

Source: Swyngedouw (1986) in Harvey (1989)

There are two important general observations from this table. First, is that elements of both regimes of accumulation exist side-by-side in the enterprises I investigated, suggesting that the strategies may run along a continuum. Second, is that the 'Fordist' system has not gone away and is deeply imbedded in the Russian economy. Clearly many of the regime-specific characteristics of accumulation shown here are less relevant for food production than industrial production. For example, the issue of stocks and inventory, while important for a bakery—balancing inventory against financial outlays and spoilage, etc.—is not nearly as

complex as managing suppliers and stocks for an automobile assembly line moving to a just-in-time production. Nonetheless, a number of the characteristics/practices are helpful for understanding labor management strategies in these enterprises.

Table 14. Fordist V. Flexible Production

Fordist Production	RU	Just-in Time (Flexible)
Mass production Homogenous Goods	→	Small batch production
Uniformity & Standardization	↔ →	Flexible/small batch production variety of product types
Large buffer stocks & inventory	↔ →	No stocks
Testing quality Ex-post (rejects & Errors detected late)	↔ →	Quality control part of process (immediate error detection)
<i>Rejects are concealed in Inventory</i>	↔	Immediate rejection of defective parts
Loss of production time b/c of long set-up, defective parts, inventory bottlenecks	↔ ←	Reduction of lost time, less 'porosity' of the working day
Resource driven	↔ →	<i>Demand driven</i>
Vertical (and sometimes) Horizontal Integration	←	(Quasi-) Vertical Integration Sub-contracting

Source: Swyngedouw (1986) in Harvey (1989); modified by Author

Areas where we see more flexible approaches to labor and production include long 'on-the-job' training, emphasis on worker co-responsibility, and a move to batch production with immediate rejection of bad product. The long 'on-the-job' training period corresponds to the long probation period, which is used by both Galya and Victor for several reasons. First, probationary employees are 'unofficial' in that they do not show up on the roster of employees and thus there is no payroll tax for these

employees. Their employment also does not count on the official headcount that gives small businesses with under a certain number of employees special tax breaks.

The shift to demand driven production levels also has implications for the workers. In Galya's Bakery #2, because the production norms—what is required ideally by each brigade member—are so high the only real chance a brigade has to reduce the daily workload and not be threatened with fines is to reduce the daily order. I call this negotiating the daily order, and many of the brigade leaders had it down to an art form—citing lack of certain materials, inferior dough that has to be prepared days beforehand, lack of help on a given shift, etc. to get the manager to lower the order before the shift starts. Because the brigade members are not paid piece rate in the cake bakery—the men that work in bread Bakery #1 are paid on a piece rate, which changes the pressures and dynamics of the factory significantly—any lowering of the order means less work, but not less pay. This is the most significant difference between Galya's system and Soviet-era production plans that compensated at the brigade, not the individual level. In most cases the response from the manager, after going through a ritualized argument with the brigade leader where each has points and counterpoints, was simply 'we have orders for these cakes, and we can't let our customers down.' Victor, on the other hand does not have this argument with his employees—because he rarely sells on spec to other retail stores, his daily production is closely tied to actual orders.

4.6 EDUCATION AND TRAINING

An essential aspect of an effective mode of regulation is an education system that provides adequate pipeline of new, well-educated employees for a growing economy. The Soviet-era education system produced high-quality job candidates for every sector in the command economy—from much-heralded scientists and engineers to vocationally trained bakers and foresters. In Karelia in the early 1990s there were four universities, 15 technical colleges and 20 vocational schools and 10 branches or affiliates of universities from outside Karelia providing educational services in accordance with the rigorous Russian state standards.⁴⁵ The linkages between employers and the education system were well established with internship programs providing real-life experiences and a high degree of certainty around employment upon graduation.

In the early 1990s the education sector suffered along with the rest of the Russian economy with the standard of living for teachers and instructors falling precipitously and municipalities faced with the daunting challenge of equipping classrooms and feeding children and staff with empty coffers. However, the education system remained intact with student enrollments and the number of schools staying constant throughout the 1990s (Figure 29). From about the year 2000 onward, the number of institutions increased sharply—especially institutions of higher education.

⁴⁵ Karelkomstat 2002.

As of 2006 there are 30 branches of universities, with over 80 specialties, in operation in Karelia, in addition to the secondary and primary professional schools, which have remained constant in number.⁴⁶

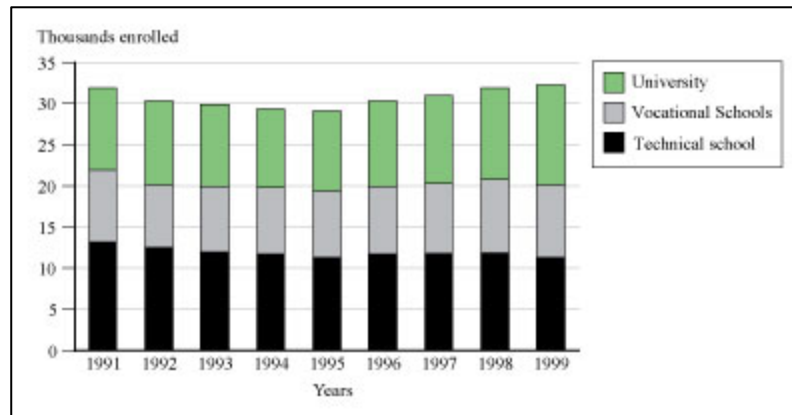


Figure 29. Karelian Student Enrollment Levels

However, one thing that did fall significantly in the late 1990s and continued into 2002 were the opportunities for graduates to find work in the field in which they were trained. While some professions, such as legal and accounting, saw an explosion in demand, most vocational or technical positions, which traditionally placed graduates with state-run facilities, found that their former clients had either been privatized (and downsized) or gone bankrupt.

The student enrollment numbers and decrease in employers highlight several subtle trends that are important when thinking about the education system as a component of Russia's mode of regulation. First, the level of students enrolling at the university is increasing even as new tuition requirements for non-scholarship students (the majority of students enrolled at the university level) have made higher education in Karelia relatively expensive for most families. The upward trend suggests an increase in demand for higher-

⁴⁶ Source: "Passport of the Republic of Karelia" 2006. A briefing published by the Karelian Republic government.

skilled jobs. Second, the portion of students enrolled in vocational or professional schools combined has remained fairly constant despite the decrease in employment opportunities with Karelia's medium- and large-firms (Figure 30). This trend has created a population of new workers without opportunities in the sectors or enterprises where they would traditionally seek work. In effect, it has created a labor pool in an overall tight labor market that is helping to fuel expansion of the Karelian small business sector, which has grown significantly in the last decade. Small businesses—under 17 employees, but not including sole proprietors such as kiosk owners—made up a relatively insignificant share of the employment base in the early 1990s. However, by 2006 more than 53,000 people, or 16 percent of the labor force, worked for small business, up from only 7,000 employees a year earlier and a 1.5 times increase of over 2002 levels.⁴⁷

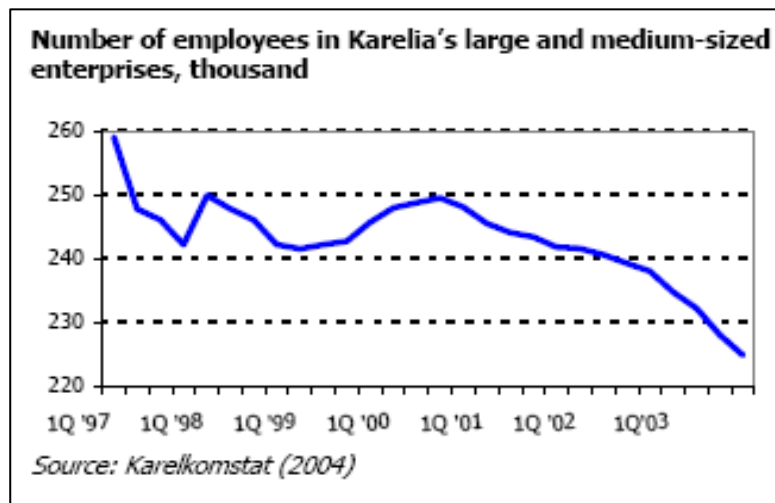


Figure 30. Number of Employees in Karelia's large- and Medium-sized Enterprises

⁴⁷ Karelkomstat 2006.

Galya and her managers in Bakeries #2 and #3 have set up relationships with several vocational schools to identify new bakers and cake decorators and send current staff back for company-paid continuing education classes and advanced certifications. Taking and passing the certification courses, which often include theoretical information and a good deal of applied math, is an expectation of working and advancing in Galya's enterprises. Announcements about who passed certification tests are made not at the school, but on the shop floor, and are often accompanied by small award ceremonies and also tied to cash bonuses.

The public ceremonies put a good deal of pressure on the girls to do well. As one of the managers puts it "...it gives the girls a chance to better themselves... I do want them to give them more money and to have a future in this work." This particular manager, Maya, was a product of vocational training herself and an employee of a formerly state-run bakery who seemed nostalgic for the old system.

The practical outcomes of building a relationship with the vocation schools are numerous. First, the schools are a good source of flexible, inexpensive labor as students are required to do an unpaid practicum as part of their degree requirements. During busy seasons (e.g. the New Year holiday), when production can be increased 10- fold over the normal daily output, the extra sets of hands are very helpful.

The trial runs in the bakery also helped managers select only the individuals they thought would best fit into the existing brigades. Second, the schools provide a pipeline for new, 'uninfluenced' workers for their growing businesses. And finally, the continuing education and certification courses offered by the schools provided outside validation for the firm's promotion and awards strategies. It also let the mostly young employees (first time in

the job market, and or under 30 years of age) work towards something other than the their next paycheck.

Maya says that Galya is very intentional about brigade composition and training. She describes the brigades as made up of girls of different skill levels:

The most advanced of each brigade is our ‘master’⁴⁸;...our collectives are not about friendships....they should have similar interests in working, this helps for the collective...of course friendships in the collective are welcome if the friendships are directed towards productive ends⁴⁹...Their personal demands and issues should be similar and they should grow as they are in the job together...it take about four to five years to build the skeleton of a good brigade.

Also important is how workers are identified. Maya lists three sources for new recruits: They arrive on their own, perhaps having seen an ad in the paper; the unemployment office sends them; or their friends tell them about the position. Maya insists the last category produces few new hires, but 8 of the 32 members of the cake decorating brigades heard about the jobs through a friend employed by Galya. This is pretty typical for most businesses in that they rely on blat, or family connections to help identify quality employees. Additionally, at least a third of the employees had previously worked in Galya’s café, where in the words of the bakery’s bookkeeper, “the girls learn how to run [work fast] in the café and then they are sent here to do real

⁴⁸ Salaries for master brigade leaders approach 7,000 rubles (base plus bonus) and are double what a typical brigade member makes. The ages of the master bakers and decorators vary, but some are as young as 23.

⁴⁹ This comment was in context of a recent firing of a brigade leader who was romantically involved with one of her female brigade members though the reason for being fired was based on negligence of duty—something I did observe on numerous occasions.

work.” This sentiment alludes to a second part of Galya’s control strategy—promotion of a certain lifestyle—but for this portion of the chapter it’s important to note that recruitment strategies allow brigade members to bring friends and relatives into the workplace.

Once on board, new hires go through a three-month probation period where they are trained by one of the ‘best brigades’. During probation period employees are ‘off the books,’ working for 1,000-rubles-per-month stipends, or ‘envelope money,’ (under the table with no taxes deducted) and having none of the benefits afforded their colleagues. When the probation period ends, the jump in salary to 2,500 to 3,000 rubles per month provides a very real incentive for workers to stay. However, there is no guarantee of a job after the probationary period, because each employee must undergo a rigorous and stressful shift-long examination where she must perform every duty that might be required of a brigade member. The employees are tested against the official production levels (*norma*) and are required to complete all aspects of cake and pastry production, and the other brigade members are not allowed to help. Workers who do not pass the test are told that day not to report to work again. The exam has its purposes beyond just selecting new brigade members. As Maya put it:

I have to be hard, even if I want to be their mom. If they feel like they have really accomplished something with passing they will feel good about themselves and they will stay with us longer.

The reality is that most new hires pass the test and are then sent to other brigades. The switch to a new brigade is intentional as it breaks up new friendships

and encourages better communication/cooperation across shifts, which is important during shift changes when the kitchens have to be cleaned and put in order prior to the next shift beginning work.

As my participant-observation in the bakery coincided with that of two new hires, we went through the training period together. Beyond learning the vast set of workplace rules—many mandated by Russian state standards for food preparation and hygiene—this period was where we were socialized to the ins and outs of brigade and collective life. What was striking for me as a true outsider was the number of daily rituals—many seemingly trivial—such as always taking smoke breaks together, saying good bye personally to all brigade members of the incoming shift before departing for home or ‘out’) and others, like completing the inventory sheets every day with the utmost care even though there is no guarantee of accuracy, are a major aspect of life in the brigade. All of the rituals, I argue, have the effect of solidifying and reinforcing brigade solidarity.

As a postscript to my experience at the bakery, I probably would not have passed the probation ending exam as I worked too slowly and my frosting roses left more than a little to be desired. One of the women who started at the same time as me was actually slower and less talented than I, so it was not a big surprise when she was asked to leave after she took her exam. The reaction of her brigade mates was interesting. All expressed empathy and discomfort with the fact she had not passed the exam—making excuses for her and suggesting the exam was unfair. However, this same person was often rebuked by her brigade leader and sometimes-grumpy

teammates for being too slow. So despite some uncomfortable moments at the end of her last shift, I suspect most were glad she did not pass the exam.

4.7 MANAGING THE MANAGERS

Strategies for managing the non-hourly staff—senior bookkeepers, staff biologist and especially the bakery directors—are noticeably different from the strategies for managing the workforce. At this level, Galya's managers take an enormous personal stake in how the companies run and the products are produced. Their relationship to the owners and the success of the company is more analogous to how Victor treats his wage staff. This strategy is tried and true in Corporate America, as Smith describes in an American bank:

Rather than monitoring middle managers, top managers organized an effective system of self-surveillance and self discipline...This process was all couched in the terms of an elaborate corporate culture that emphasized the responsibility and autonomy of managers. Here we see the operation of a powerful hegemonic system supported by norms of responsibility and fairness (Smith 1990).

This same strategy pays off in several ways for Galya's and also Vasili's enterprises. First, giving responsibility and encouraging professional development creates loyal, hardworking managers and second it offers managers role models for a different way to manage wage labor employees. (Chapter 5 discusses how managers are identified and recruited.) However in general terms, Galya hires smart, well-educated, underemployed women and lets them work up to positions of significant responsibility over time. In the case of her most senior manager, who is a role model for other managers working for Galya, the benefits go well beyond standard compensation to include loans to funds to purchase a house

for the most senior manager to development of a personal friendships that includes going on a European vacation (photos of the two women on a beach were published in one of Vasili's newspapers—broadcasting unambiguously the benefits of hard work). Still, as one manager, Natasha D. makes clear, her position within the corporate structure is that of employee:

In the end I am just an employee...none of this is mine. Sure I work hard , maybe even harder than Galya, but I have a lot to show for it....you have to understand she's the boss and on her word I could be gone tomorrow—of course I hope that doesn't happen and I don't think it will because we work so well together.

The practical result of these more hegemonic (Burawoy 1979) management strategies is that on the bakery floors, often acting as a counter balance to the surveillance and harsher control strategies, managers work to nurture, or coach new employees. A case in point is how Natasha interacted with Lena a 23-year-old cake decorator on my brigade. About the time that Natasha took over as Director of Bakery #2—there had been no director for the first two months I worked there—I asked Lena if she thought she would be getting raise this year. She told me that she had not spoken to anyone about it for sometime. I asked her is she planned to speak to Natasha who was due to start the next week. She replied:

No, I don't want to sit down and talk with her...if she were a man it would be no problem...we could talk easily. I would do a little hey..hey..hey [hip wiggle] smile and probably get my raise...or at least we could talk at the same level. With a woman director it's different....this director feels above us...she will talk down her nose to me. I don't think she would listen...you remember at the staff meeting she asked what are

your problems and nobody said anything. That's just how it is...

Clearly Natasha was starting out with a reputation (she was the director at Galya's café prior to coming over to the bakery), and most of the brigade members I spoke with had formed early, negative opinions about her. However, about a month after I spoke with Lena she stopped to chat with me during the shift change and even though she was coming off 12 hours on her feet, she was rather excited.

Mark! I thought it would be very difficult to talk with her... remember I said that she would probably talk down her nose ... but actually she was really nice to me. She said 'Lena, let's talk for a minute'. My first thought when she asked "Did you do the sunset cakes?" was that I had done something wrong and my stomach sank. When I said yes, she said 'they were spectacular— new and very interesting...just the type of new design they were looking for to sell in the stores'. She told me that that everyone would be instructed on how to make this cake. Mark, on the next *zayafka* there was a note instructing Lena to make a special order cake as she wanted to. They almost never write this on the *zayafka* and usually it is the brigade leader who does all special orders. Of course I felt a bit bad at getting such attention...some girls were probably jealous, but I have been working and learning how to do this for almost two years ...

Needless to say, Lena was a convert and someone that could be counted on in that brigade to always be dependable. In fact she helped her brigade leader, who had a serious alcohol abuse problem, by calling her and reminding her about her shift start times, helping

her with inventory ledger, and trying to coax her into not drinking too much. Natasha confided in me that within a year Lena would probably be made a brigade leader.

4.8 LABOR AND THE BIG PICTURE

This chapter outlined a number of important structural components of the mode of regulation that included a job market that is pushing employees into new firms, government policies and normative work rules and traditions that help to socialize new entrants into the workforce. The differences between how Victor and Galya's enterprises operate probably represent different styles of management rather than different structural positions of workers within the emerging capitalist order in Russia. The significance of the differences in their approach lies in the parity of their effectiveness. Although, arguably, Victor will achieve more sustainable results with a wage labor force that is more self-motivated and disciplined, the fact remains that both styles of management produce, by the standards of a capitalist economy, exceptional results. The implication is that a mode of regulation for Russia's version of capitalism is rapidly stabilizing, locking in place a regime of accumulation under which a range of management styles will be effective. The next chapter deals more with how Galya, Vasili and other owners of capital interact with the institutions and structure outside of the bakeries and how those interactions help them achieve the results they desire.

5.0 THE BUSINESS AND POLITICS OF GENDER

I'm against discrimination, the best cooks are men, best confectioners are men, best bartenders and waiters are men, so let them stay in their places...

Galya 2002

Galya made this joke in one of her first interviews as candidate for the local Duma, representing the district where her café is situated. The quip—an inversion of the gender that usually does this kind of work—was intended to win over women voters in the upcoming local election in which Galya was running for an open Duma seat. By lightly playing up her role as a woman entrepreneur and business owner as part of a three-month campaign to educate and win over several key voter blocks in her district, Galya was venturing into not only local politics, but gender politics.

The political campaign, like all of Galya's endeavors, was creative and meticulously planned. Her 'team' consisted of her family members and like-minded politicians and business people that worked on an informal ticket with Vasili as he attempted to secure his own election win as the head of the Republic. Her unsuccessful campaign illustrates the double-edged sword that gender and changing gender roles and identities play in the lives and livelihoods of the entrepreneurs on which this research focuses.

Galya, as evidenced from my interviews with her and the public dialog she orchestrates around the development of a public persona, is acutely sensitive to her precarious

position as a ‘strong’ woman in an overwhelmingly male sector of the economy. On one hand her crafted image as a working mother plays very well with her workforce, as is an aspect of her control regiment. On the other hand, her acceptance by the general public is another matter entirely.

This chapter focuses on changing gender relations and subject-constitution of the owners, managers and workers in the enterprises discussed throughout this dissertation. Although gender was originally not an explicit part of my dissertation, my informants made it an issue either in the context of describing the difficulties of ‘doing business’ as women and more implicitly in the form of jokes, or as strategies for reinforcing their authority in the workplace or overcoming obstacles of public perception. I was also confronted with the simple fact that well over 90 percent of my informants—the people who work, own, and manage the enterprises I investigated— were women.

Addressing gender also strengthens the Regulation School’s stylized framework as it injects agency into a structural orientation that otherwise leaves it susceptible to the critique that it is too materialist or, as Ortner lamented, “...assumes that human action and historical process are almost entirely structurally or systematically determined” (Ortner 1994: 387). This chapter positions gender as both an area of inquiry and an analytical tool for understanding accumulation strategies and the shifting gender hierarchies and power relations that support them.

Building off a robust and diverse body of literature that has shown how the discourses and practices of gender have shaped Eastern Europe and the former Soviet Union since 1989, (cf Einhorn 1993; Gal 1994; Verdery 1994; Bridger et al 1996a, 1996b; Block 2000; Gal and Kligman 2000a, 2000b; Lampland 2000; Szali 2000; Ashwin 2002; Helms 2003) this chapter

takes two little-explored paths of analysis for understanding the significance of gender in emerging Russian accumulation strategies. The first focuses on the possibility and role of gendered *capital*, as opposed to gendered labor. A good deal of research on gender and labor has focused on feminization of the labor force as an accumulation strategy for global capital, describing the ways capital (re)produces and maintains local gendered ideologies and hierarchical relations to recruit and discipline workers and cheapen labor costs (Enloe 1989; Safa 1995). The process shifts the “...control of women from male relatives to alien male authorities—the factory supervisor the employment agent, the government bureaucrat...” (Ong 1991:295). The juxtaposition of female labor and male authority implicitly genders capital as male. However, when women are the owners, directors and managers, as is the case of the enterprises I worked with, I was led to the question: Can capital be gendered, and if so, what is the impact on both labor and capital in Russia’s emerging regime of accumulation? This line of inquiry also necessarily examines male gender roles, which are particularly salient in the Russian context given Soviet efforts to replace the male as the head of the Russian household (Gal and Kligman 2000b).

The second path undertakes what amounts to ethnography of a political campaign. In contemporary Russia, where notions of the public and private do not fit the common western understandings of these spheres as separate, bounded entities, the act of running for and holding public office is inherently a private sector or business decision. The political campaign season for local and regional elections and in particular Galya’s strategy for winning a seat on the local Duma, provides context for examining a host of issues and tensions surrounding the emerging role of woman as entrepreneurs and heads of households. Galya framed her campaign, in part, as a referendum on lifestyles, attitudes and women who

work. Journeys down both of these paths require an understanding of the Soviet State's policies towards women and gender in the labor force.

5.1 HISTORICAL LEGACIES

Russia holds the dubious honor of having undergone two interrelated processes that bookend the lifespan of the Soviet state and that stand alone in the 20th century in their scale and scope: forced industrialization and state divestiture. The structure and consequences of the policies supporting these processes have significant implications for post-socialist accumulation strategies. To conduct an analysis of power configurations associated with gender relations and identities in the workplace, it is necessary to closely look at the structural changes that girded these processes.

Women's role in the Soviet workforce is a much-researched topic (Ashwin 2002; Buckley 1996; Gal and Kligman 2000b; Hellbeck 2001; Ingham and Hilary 2002). The subject has drawn particular interest from feminist scholars exploring the effects the Communist Party's emphasis on the 'women's issue,' had on women's equality. There are essentially two interpretations for how women fared in this early period of the Soviet Union. One suggests that the revolution liberated women, even in the face of backlashes that sought to re-establish their traditional subordination. The second argues that the Bolsheviks never really intended to liberate women; that legal and policy reforms decreased women's subordination within the family, but increased their subordination to the state.

While the historical record supports both conclusions, it is clear that the Bolshevik emphasis on development of the collective translated into an extraordinary role for women in

the Soviet economy during the rapid industrialization associated with the first and second of Russia's five year plans. In 1930, 472,000 women entered the Russian workforce, and a year later another one-half million women joined them. In all, four million women entered the workforce between 1929 and 1935.⁵⁰ By 1935, 42 percent of the industrial jobs in Russia belonged to women (Goldman 2002). This emphasis on engaging more women in the work force was not a new phenomenon in Russia, but would continue and be compounded by the loss of male lives in Word War two. However, looking back, as early as 1885 women already comprised 22 percent of the factory workforce and industrialists were seeking women to replace outlawed child labor and as a source of cheap, docile labor in a manner that very much resembles the processes associated with today's global capital (Goldman 2002: 268).

Why did women go to work in such numbers? And how do Soviet-era employment patterns affect women in contemporary Russia? The first question has a straightforward answer. Women both went to work and were encouraged to work out of necessity. The structural changes in the Russian economy that coincided with the first 5-year plan were massive, resulting in new opportunities as the industrial base rapidly expanded, and new imperatives as skyrocketing prices made adding income to households an economic necessity.

For its part, the state desperately needed a female labor supply to provide much needed help to backup labor so that the harsh labor laws and standards associated with the second five-year plan could be enforced (Goldman 2002: 279). Women and their role in society were also an integral part of the Bolshevik ideology, which "...centered on creating revolutionary selves, on making Soviet citizens think of themselves and act as conscious historical subjects" (Hellbeck 2001:341). This translated into state policies aimed at

⁵⁰ *Trud v SSSR statisticheskii spravochnik* (Moscow TsUNKhU Gosplana 1936) 10-11. Figures include all women in industry in Goldman (2002:1).

“eliminating housewives from the working class” (Goldman 2002: 211) that many scholars argue allowed women to adopt a dual identity of mother and worker.⁵¹

What is the significance of the double track for Soviet women? One argument goes that women under socialism were able to adopt multiple ideas of self—ways of measuring worth that have helped women cope better than men with the post-socialist social and economic environment (Gal and Kligman 2000b). They did this in large measure because of Soviet social engineering efforts that sought to construct, as Ashwin succinctly explains:

...a triangular set of [gender] relations in which the primary relationship of individual men and women was to the state rather than to each other. Women were to serve the state in their role as mothers and workers, while men were prescribed a far more limited role in the Soviet polity. They were expected to serve as soldiers, workers, and managers, while their role as household heads was rendered politically suspect and, ultimately, redundant.

These policies had the twofold effect of giving women more resiliency in the face of hardships associated with neoliberal reforms that marked the transition away from State socialism and further dis-empowering men whose diminished role in the home had already been usurped by the state.

A second perspective, however, suggests that the Soviet’s efforts on women’s behalf did little more than “emancipate women to subordination” (Liljestrom 1995 in Katz 2001:13). An analysis of wage labor in the USSR and post-Soviet Russia shows significant Soviet-era wage disparities that have continued throughout the Post-Soviet period (Katz 2001). Soviet

⁵¹ GARF, f. 15, d. 358 stenogramma vsesoiuznogo soveshchaniia po rabote sredi Zhenshchin Vol 2, p. 15.

industry was also sharply gendered, both vertically by branch, and horizontally by skill, with women primarily in secondary, lower prestige positions. This gender segregation created situations where women were significantly under-employed vis-à-vis their skills, abilities and potential in the workforce. The constriction of the workforce associated with privatization and the ensuing economic collapse left many of these women eager to find other opportunities.

These two perspectives and outcomes are not mutually exclusive and there is ample ethnographic evidence that both are contributing to the shifting of gender roles and identities for women that are changing power hierarchies in contemporary Russia. For matriarchs such as Galya, their role or responsibility as head of the family, and their frustration with being underemployed, or at least underpaid, are clearly motivators and tension creators. However, women not in positions to be entrepreneurs—those hired by Galya to be their managers or agents of capital, for example—seem to be providing a deep talent pool for selecting and training managers that are highly competent, fiercely loyal individuals that excel at being managers and relating to the women they oversee. These women find themselves with authority/power in the workplace and at home due to increased earnings and contributions to their family's economic well-being.

5.2 GENDERED CAPITAL

The 'shock therapy' model implemented in Eastern Europe and the former Soviet Union yielded results that have been called mostly 'shock' with very little therapy. Rising unemployment, unprecedented drops in production, destruction of social safety nets, and rapid

socio-economic differentiation are a well-documented part of the 1990s in post-socialist Russia. The most striking consequence of economic reform in Russia has been the sharp rise of poverty and inequality. In Russia's case the GDP decreased by 50 percent, while the poverty rate increase soared to over 50 percent during the first 10 years of the 'transition' (Stiglitz & Ellerman, 2000: 2). The ratio of the average per capita income of the richest 10 percent of the population to that of the poorest 10 percent increased from 5.4 in 1991 to 11 by the end of 1993 (Remington 1999: 16). With the exception of a few sectors of the economy that relied on export sales of raw material, growth has been negative for almost the entire 10 years since reform efforts began.

At the beginning of 1992 91 percent of Russian fixed-capital stock was owned by the state, which was responsible for nearly the entire gross domestic product (GDP) of the country. By 1998, only 42 percent of that stock was still in state hands and the private sector accounted for 72 percent of Russian GDP (Remington 1999: 17).

The trend was similar in Karelia, though the Karelian government takes an activist role in managing in some sectors, such as machine building, 80 percent of businesses were privatized.⁵² The net result for women in this situation was that their overall proportion in the formal workforce between 1991 and 2000 fell from 48 to 38 percent⁵³. This was due not only to low-level positions associated with women becoming redundant, but the grinding halt of Russian secondary processing industries, which were unable to accumulate through production due to hyperinflation, collapse of domestic markets, lack of working credit, and as the 1990's progressed, an overvalued ruble (cf. Mandel 2004). The degradation of Russia's social safety net, which by the year 2000 was only supporting 13 percent of the seven million

⁵² Goskomstat. 2001, p 305.

⁵³ Goskomstat 2001, p 141.

or so officially unemployed, compounded the problem.⁵⁴ The scramble that resulted—exemplified most notably by theft of state property through shady privatization deals or just outright theft as thousands of factories and enterprises were stripped bare by hungry employees—left people to their own devices.

Extensive research on this period has focused on the withering impact these changes had on ordinary citizens, and in particular how men and women experienced the impacts differently (Bridger 1996b). These wrenching changes can be attributed to the dismantling—in the name of a capitalist jumpstart—of the socialist regime of accumulation that linked reciprocal relations between labor, government and the Communist Party in seemingly fixed configurations of power. Here too the Soviet mode of regulation provided legitimate career and vocational pathways and a measure of economic protection and stability to the average Russian citizen. As the system imploded the state's system of training and education pre-set career tracks in large part went away. As a result, both men and women found themselves unable to work in the industries for which they had trained. This was especially the case in heavy industry and agriculture where the better paying jobs were dominated by men, (Ashwin 2003). Both people with entrepreneurial drive and others simply looking for work, found themselves in the emerging private sector of small- and medium-sized private businesses.

Gal and Kligman (2000) argue that the 'practice of gender' can be used as an alternative theoretical construct for understanding the turbulent times in post-socialist Europe. They suggest two important questions for framing the research that takes this approach: How are gender relations and ideas about gender shaping political and economic change in the region and what forms of gender inequality are being shaped as a result (Gal and Kligman

⁵⁴ EIU Country profile 2003, p 17.

2000a)? One finding within the work that attempts to answer these questions is that the power relations and attitudes towards women that were pushed from public discourse by communist ideology have exerted themselves to an even greater degree (Kay 2006) and continue to work to women's disadvantage.

This chapter asks a slightly different question by focusing on the power implicit in the ownership of capital. Taking a cue from Abu-Lughod's critique of resistance studies, which she says is "...ultimately more interested in finding [and romanticizing] resisters...than examining power and its implications for the forms of resistance they locate" (Abu-Lughod 1990: 35), the central questions for this chapter are: What is the role of gender in tearing down power configurations in Russian society, and how does this impact Russia's new regime of accumulation, and, in turn, emerging gender roles?

I argue here that some women (and men) are recognizing and exploiting new indeterminacies in gender roles and power relations to their advantage through the ownership of capital. The social upheavals that devastated the lives of many have created opportunity for women to use their skill sets, dispositions, and connections to become either owners of capital or willing stewards of that capital that has given them unprecedented power in the workplace and at home. The important distinction being that I am discussing women such as Galya, who owns capital or Sasha, who is an agent of capital. The issue of how women's entrance into the labor force changes the dynamics is a separate and well-documented area of research.

Galya uses gender as an important advantage in the construction of an effective post-socialist regime of accumulation. While Chapter 4 outlined some gendered labor control and production strategies, this chapter looks at the role of power in situating these efforts and

explores in greater detail the tensions and struggles associated with (re)defining the roles for some women within Russian society.

Galya has a reputation for being a tireless worker, a tough boss and a constant innovator. Like all of the principals and most of the managers in her business group, she does not have a background in business, or an elite Soviet pedigree. Galya was an underpaid physician until one day in 1991, when she says:

A neighbor phoned me and asked for a ride somewhere...she offered to give me a little money...in the next five hours I earned more money working as a private taxi than I could make in a month as a doctor. I knew on that day that I would need to make a change if I wanted to provide for my family...

Galya first relayed this story to me in 1999, but I heard the story told and retold in interviews with local television and print media during her political campaign for a local Duma seat.⁵⁵ The vignette provides a glimpse of two themes that are important for understanding her ability to wield power in the workplace. First, everything Galya does is ostensibly for the benefit of her family and she is acutely aware of hurdles she faces as a woman in business. She states:

It is difficult here being a woman in business...I feel real personal tension. There are job security issues...the tax police...the possibility of failure...and not being able to provide for my family.

⁵⁵ Galya and most of her family members and business associates ran on opposition tickets in the local and regional elections, which is discussed in greater detail in the next section of this chapter.

In her interactions with her managers, employees and even the public, Galya positions herself as the head of the household. This is an important and well-understood role for the mother in a Russian household, although the mother is not usually considered the principal breadwinner, which is a not an insignificant point of public and personal tension for Galya and professional women in general in Russia.

In both her public and private conversations, Galya holds fast to the attitude that “we will do what it takes to have a normal life”, which translates directly to a management philosophy that “anyone can be replaced”. This notion that no one has job security is a mantra and not-so-veiled threat uttered by Galya and repeated endlessly, both in writing and verbally by her managers. For example, a hand written note posted by the director on door of the employee locker room after the theft of 500 plastic *torti* container lids in middle of the day (speculation on how this might have been was accomplished and why was the source of much speculation and amusement with the leading theory being someone would use them to start their tomato plants indoors) read in part:

“...the stealing of these lids is a serious offense and could cause a small firm like this one to close down [we had to stop production because there was no way to store cakes without lids]...this is also a private firm and the owners are under no obligation to keep you working...”

The note went on to ask employees to be more diligent to keep theft from happening in the future. The accusatory tone of the letter and the not-so-veiled threat definitely got employees’ attention, but they brushed off the notion that the bakery would close, saying that they made

plenty of money. Even Galya's most senior and trusted manager and friend—a person whom Galya vacations with in Europe and described by Galya as 'like family' is quick to point out: "...I am paid a salary like everybody else and can be asked to leave like anybody else."

The easy-to-empathize-with desire to take care of her family gives legitimacy to Galya's hard-nosed managerial style that makes most employees thankful that she is not their real mother. Galya's role as mother allows her to leverage enormous moral power that emanates from the workplace into the community as well as into her personal life, but it is not without its dangers as well. As the below section on the *politics of business* demonstrates, Galya consciously downplays her role vis-à-vis her husband.

This tension between male and female roles and power in the home and workplace brings us to a second theme from Galya's taxi story, which is the idea that she was forced into this profession—that it was not free will, but a choice she had to make given the economic circumstances with which she was faced. This observation is important for several reasons. First, it mirrors the sentiments of Galya's husband (and others) who often complained bitterly about their job displacement: "Would an engineer in America be forced to manage a bakery to make a living?" but with different results. Both Galya's and Anna's husbands had long stretches of unemployment, offered only sporadic and uneven participation in managing the family enterprises, and at critical times would simply not be around or seemingly be working in opposition to the families' interests.

Perhaps the inattentive husbands are just products of bad marriages, but their behavior, as contrasted to Galya and Anna's attitudes and work ethic, do provide compelling ethnographic validation for the notion that men, having had their power/role in the household

usurped by Soviet policies, were further disenfranchised by economic dislocations associated with socialism's collapse.

Second, being forced into entrepreneurship also allows Galya to deflect personal responsibility for being a hardnosed businessperson. Galya's response to the continued poor performance of the bread bakery was to 'clean house,' suggesting on numerous occasions that brigades should be sacked and they should simply start fresh with new people that did not have such bad habits. This was a source of real tension between Galya and her husband as he would defend the workers—despite all evidence to the contrary—both as individuals with families and on a more general moral ground of this being a bourgeois tactic that was simply inappropriate:

Galya: I understand that it is very hard to get through [literally, punch (*probutz*)] to a brigade that has worked its entire existence without a technologist.⁵⁶ But, if it were up to me, I would simply change out half of the brigade, I would take more responsibility [to hire] serious people that are dependable and efficient and will listen to what the technologist says. ...and Leonid protects these brigades.

Leonid: I do not defend. People have worked here for five years.

Galya: But for manufacturing, unfortunately, this is not good, because the technologist cannot get through to them... But I will tell you, if it were I who was running this enterprise, I would hold on to the technologist and change the brigade. This may be an unpleasant

⁵⁶ This person works as a floor supervisor; responsible for all production, quality control, sanitation, and meeting of government standard.

technique, but it is simplest and I know how to do it; you dismiss two-three persons and all others will at least listen much better...

Leonid's very simple observation says a great deal about his outlook towards the wage earners at the bread bakery. He admits they do not work as they should and that their actions are not defensible, but makes note of how long they have worked there. In his book tenure should count for something. In this case, female capital relies more directly on coercive strategies as contrasted to a male director's more paternalistic style, patterned after the normative role of Soviet enterprise directors as providing father figures.

Bakery #3 needs, as Galya describes it, an 'iron glove'—someone there on a day-to-day basis always keeping 'a thumb pressed hard' on the wage earning staff. Employee morale, staff turnover, and theft were all problems at Bakery #3; workers were being paid daily piece-meal wages and the largest motivation to work was the threat of fines for poorly baked bread that could reduce a day's wages to a few rubles with just one mistimed retrieval of loaves from the large ovens.

Galya underscored her management style with a personnel action in Bakery #2—a bakery that she, not her husband, had the closest direct hand in running—in late January that reverberated throughout all of her enterprises. Concerned about the quality of product being produced—cakes were being returned to the bakery at an increasing rate—and hearing rumors that a certain brigade leader and her team were shirking, she made a 3:00am visit to the bakery. Typically from around 11:00pm until 6:00am the only people in the bakery are the brigade members with no director or manager providing any additional oversight. What she found, according to eyewitnesses from a second brigade in the building, was all four women of the decorating brigade and at least one, possibly two young men—mechanics and drivers

who probably stopped to get warm and socialize as they had done in the past—were crammed into the 5x8 men’s ‘locker room,’ which can best be described as a utility closet. Her reaction was the talk of the bakery when I arrived the next morning for my shift. Knowing Galya, and knowing what the scene was in the closet—I worked on this brigade and on numerous occasions found myself wedged into the closet for smoking breaks—the description of her going into a rage that culminated with the entire brigade being fired was probably accurate.

Of course firing an entire, highly skilled, if a bit undisciplined, brigade would have created a huge hole in the production cycle. In fact, despite being furious, Galya only fired the brigade leader. A second woman, who was dating the brigade leader,⁵⁷ quit in solidarity and the other two women were told to go home and not come back until they wanted to work. The latter two were back at work the following week, allowing the bakery to cobble together another working brigade.

That morning the bakery was abuzz with conversation about what had transpired a few hours earlier. Although there was sympathy for the girls losing their job—the rumor was that all four had been fired—the general consensus was that the women were silly for playing around. As one young woman put it, “What’s she going to do now besides sit at home all day or sell shoes down at the department store?” (The fired brigade leader did end up in a booth at the local market selling kitchen knives, and according to gossip was probably making only a third what she had been making at the bakery.)

Galya is not at Bakery #2 on a daily basis so direct supervision fell to the Director or the technologist. In Bakery #2 the technologist/chemist (Maya, discussed earlier) was

⁵⁷ The fact that the Brigade leader was a lesbian and had begun dating one of her co-workers was known by management, but only discussed in code or very obliquely. I am unsure of the role her sexual orientation played in her being dismissed.

responsible for day-to-day supervision of the brigades and was the counter weight to the expectations and consequences set down by Galya. Although she could be tough in her own right, she characterized her role as being part mom and part manager. Her authority to judiciously enforce the myriad of rules and orders that the brigades must follow on a daily basis helped ensure, as brigade members put it, ‘a good collective.’ Collective translates roughly into work environment or the climate that the workers associated closely with the quality of personal relationships and reasonableness of management in the factory.

During my tenure at bakery #2 Natasha D became the new director. Her arrival at the bakery was met with a fair amount of trepidation, as her reputation was similar to that of Galya’s. She immediately began implementing plans to increase production and the quality/consistency of the baked goods by introducing a three-ring binder with color photographs of each type of product the bakery made. Each cake coming off the floor was checked against the binder for quality.

Natasha was truly a success story in that she had struggled in her personal life, prior to meeting and working with Galya, in ways that were familiar to many of the women at the bakeries. She was previously married to an alcoholic who was incarcerated, and she had struggled to parent her daughter alone and find a job. Her biography was printed in one of Vasili’s newspapers, along with pictures of her on a European vacation with Galya. The image conveyed was one of friendship and reward for a job well done.

Print media coverage of this nature was usually reserved for family members or the principals of the various interlocking networks. Galya and her associates often repeated the notion that truly successful businesswomen in Russia are rare. Galya told me a story of her

attendance at a women-in-business conference in Moscow sponsored by a French philanthropic foundation:

You could tell right away the women who had legitimate businesses by what they talked about. The talk was not of kids, families and husbands, but of real (*nastiashi*) issues related to our businesses...the serious women also possessed masculine characteristics...we carried only a small suitcase and a brief case—we did not carry around the normal large bags like most Russian women.

She confided that out of several hundred women she met at the conference she found only a handful that she considered to be actually running companies. In the above passage, Galya seems to equivocate success in business with having masculine characteristics. However, when queried directly about women entrepreneurs, or leaders being cast in a feminist light Galya would often demur and say ‘that is not so....we are simply business people first’.⁵⁸ In fact, the topic of feminism was of particular interest to my research assistant who had a Doctorate from Moscow State University focusing on women’s issues. She would often attempt to validate her observation that there was a ‘special sorority’ of powerful women that distinguished themselves from other women (and men) in their outlook and abilities, but found little willingness from any of the businesswomen to engage in this conversation.

⁵⁸ This topic was of particular interest to my research assistant who has a doctorate focusing on women’s issues. She would often attempt to validate her observation that there was a ‘special sorority’ of powerful women that distinguished themselves from other women (and men) in their outlook and abilities.

However, a study of women business owners that belonged to business or women's associations in 1996 suggested that women as entrepreneurs would be a formidable force in a growing economy. The study received responses from 561 women from across Russia, including Karelia. The respondents were highly educated with 80 percent having a college degree, the average age was 41 and 65 percent were married. Ninety five percent of the respondents employed others, 68 percent of whom were women. The women's businesses spanned 16 industries led by retail, non-durable manufacturing and business services. Significantly, 23 percent of the women's firms were goods producing, compared to 8 percent for women-owned businesses in the United States (Wells 2003).

Still, Galya uses gender as an organizing principle or rallying point or strategy in a careful manner. As my analysis of public interviews given by Galya during her political campaign highlights, the only group she will plainly acknowledge helping to form is a new middleclass in Russia. The contradiction between her daily practices and characterizations of women who actually ran enterprises, and her refusal to acknowledge any feminist sensibilities, is perhaps an acknowledgement of the difficulty in directly confronting existing gender hierarchies and attitudes. However, while public discussion about gender in the workplace may be stifled, the following vignette suggests that within various semi-autonomous fields—in this case the private financing and collection of debt—the gender card has some cache—and Galya's tactics are not the only way to consolidate power in the workplace as a woman.

Sasha is the managing director of the retail grocery chain nominally owned by Vasili. The chain of stores and other affiliated enterprises can be considered a sister corporation to

Galya's enterprises, with the firms having close commercial and political ties⁵⁹ with enterprises operating independently from each other. Sasha's experience and perspective as director contrasts in many ways to that of Galya's. The contrasts in style, outlook and strategy between these two are no different than the myriad of management approaches or career outlooks you would find in any market economy, but the differences suggest a number of strategies for wresting power from traditional gender hierarchies of the male-dominated world of Russian commerce.

Sasha is a slender, blond woman who wears elegant, western-European clothing. She has an easy laugh and a flirtatious personality; entertaining visitors from a sleek, well-appointed office that belies the decrepit, Brezhnev-era building that houses it. The day we first met, she wore a white silk pantsuit and her blond, bobbed haircut was carefully styled. At the time of our first interview she was running Vasili's vast commercial empire and had developed what she called her 'golden circle' of loyal and highly competent managers that controlled their respective stores with a great deal of autonomy.

Sasha had spent her entire professional career in the grocery business, working for a state-owned grocery store prior to joining Vasili's team. The food industry is one that employed primarily women. Sasha, despite being only mid-career, had advanced to a position of considerable authority and responsibility under the Socialist system. Still, the relative power she enjoyed as a technical expert in purchasing had little to do with why she was

⁵⁹ Because formal ownership is still only a partial indicator of who actually owns a Russian company (see Chapter 2) the best way to determine whether and how companies are linked is by looking at command-control. In this case, Galya and Sasha (Vassili's) firms are allies and cooperate closely. But decision making between the two groups is independent.

initially successful salvaging Vasili's, by most accounts far flung and haphazardly managed, stores and businesses.⁶⁰ She recounted her first week on the job as such:

I had only been working a few days but it was easy to see that the stores were on the verge of bankruptcy. He [Vasili] owed everybody money and we did not have enough revenues to pay debt and keep our store stocked. On my second day at work two thugs dropped by to see me. They were menacing me and kept repeating themselves 'you will give us the money now...' Finally, I cut them off and said "or what, you break the legs of a 45 kilo woman?" I think they really didn't know what to think of me...I finally got all of our creditors to give us more time by showing them our plans for the stores...and look at us now.

The story suggests that being a woman allowed her to speak with the representatives in more purely business terms—her gender helped remove a threat of violence—by explaining how it was in everyone's best interest to keep the company going and that payment would be forthcoming. So being a businesswoman was the only way she was able to speak the language and logic of a legitimate 'businessman' at a time when credit enforcement in Russia was often taken care of informally and many times with at least the threat of violence.

Sasha told another vignette to describe how she came to work for Vasili. Her version of the story varied considerably from the version Vasili had relayed to me two years prior during a preliminary interview. According to Vasili, his entire business success is built upon

⁶⁰ By one informant's count, Vasili had incorporated or was affiliated with fifty different firms over a five year period. The multiple incorporations were primarily for tax purposes, but also represented the multitude of actual enterprises employing over 700 individuals (see Chapter 2).

finding and hiring the ‘right people,’ which translates into hiring women exclusively for leadership positions in his companies. In hiring Sasha, Vasili reports:

I had to pursue her for months before she would work for me...I knew it would be good for everyone when she came to work with us....she knows everyone...[and]...gets the best produce and meat for our stores at the best prices. Her success comes from her networks of colleagues and friends that she worked with at the state grocery store.

Sasha’s recollection of how she came to work for Vasili paints less a picture of the savvy would-be business tycoon and more of the wide-eyed exuberance that epitomized the early years of Russia’s transition. It also suggests that Sasha came to work for Vasili on her terms:

A yes, Vasili...he bugged me for a long time before I agreed to work for him. He would cruise around town on a bicycle, wearing ridiculous shorts. [In the early 1990s Russian men did not and still really do not wear shorts] I thought he was cute and he was very persistent.... Besides, I could already see there would not be much of a future where I was working, so I agreed.

One of Sasha’s colleagues that worked with her described her as a ‘small, blond firecracker’ and recounted the time she threw herself in front of a brigade of tax police that, in addition to confiscating her books (for auditing) were cleaning out the safe as well (to pay for impending fines). From that point on Sasha and her employees kept the day’s earnings

stuffed in their pockets to avoid seizure during the numerous surprise raids. This was in the mid 1990s and the businesses, in their current incarnation, were still in their formative years.

I have included Sasha in this section on gendered capital even though the *Mostorg* chain is ‘owned’ by Vasili’. As Chapter 2 describes, enterprise ownership in Russia is not clear-cut in that it does not fit the liberal paradigm of private ownership. In this case, the agents of capital (Sasha and her managers) have full control over the management of the enterprises up until the point of deciding how to re-invest accumulated capital. During 2001-02 most of capital accumulated, which normally would be reinvested in the enterprise, was being funneled to political campaigns and the ancillary organizations (e.g. newspapers) used to support those campaigns.

Sasha’s management style contrasts with that of Galya’s—perhaps in part due to scale as *Mostorg*, which has dozens of stores, and a wholesale food and catering business—in that she allows her managers a great deal of autonomy in managing their respective work forces and rarely intervenes into what she calls her ‘golden circle’ of senior store managers. Each of her store directors runs the stores as if they were their own, and in fact, at least legally, many of these women do indeed ‘own’ the business in that they are the registered owners of the enterprises. Of course I would hasten to add that they might not even be aware of how the stores are registered and they certainly do not see themselves as owners. By Vasili’s own admission, these arrangements, while once necessary to be able to conduct business in the mid-1990’s was something that had to be dealt with in the future.

5.3 FAMILY RELATIONS

For Galya and her sister Anna, non-traditional gender roles in the workplace and at home are the norm. Both women have three children, and one has around 13 years between the second oldest and the youngest. Both husbands are underemployed and at times have worked in the family enterprises. Both women have been estranged and living apart from their husbands at various times, though they are together presently. In a 1999 interview with me Galya hints at these tensions while describing her husband's role as Director of the Bakery #1... "The bakery is a perfect place for our husbands...better there than sitting at our bar drinking the profits." However, getting the men to keep a sustained interest in the bakery—a business that they helped start and whose initial success and profitability provided the seed money for the café —proved to be difficult. After five years in business Leonid showed only passing interest in the enterprise and his partner, the only non-family member in the business group, left the business altogether to start a new venture. When I queried Leonid about the long-term plans for *Goodtrade* he demurred, preferring instead to talk about being outside his chosen profession. In contrast, when I interviewed him in 1999 he had proudly given me a tour of the enterprise noting the large German ovens and the productive, stable workforce. Elsewhere, I have described the effects a lack of attention had on productivity and product quality as well.

On certain days Bakery #1 (*Goodtrade*) could not muster enough brigade members to operate even a single shift. When problems reached this crisis point, Galya interjected herself back into the daily operations of *Goodtrade* bakery by sending over an up-and-coming manager to take control of sales, payroll and other daily functions of the enterprise. She also

made a few inspections herself to the plant, one of which resulted in, according to employees, monumental yelling session and a few summary firings.

In this case, inserting a woman director into the bakery made little difference in the day-to-day operation because she was not knowledgeable about bread baking and did not have the ability to institute a type of inventory and quality-control regimen as discussed in Chapter 3. What Galya needed was a competent technologist—the person who manages the baking processes and does needed tests on bread and dough to satisfy rigorous health and food laws (*codecs*) that the enterprise followed. The bakery had been without a person in this position for some time and had been relying on its brigade leaders to ensure quality production.

Galya found Elena Victorova, a 68-year-old retiree who had spent her entire working life in one of the Republic's largest commercial bakery (*hlebcabinat*) to fill the position of technologist. Elena, who looked much older than her age, had such painful arthritis that I could almost hear her bones rubbing together as I would watch her move across the cold steel and cement floors of the retrofit bakery (it used to be a machine shop). Still, while the long shifts were difficult, she told me she loved working again. She also confided that they were paying her almost 10 times her meager pension and the money was a great thing to have for groceries and grandkids. Beyond the fact that a person with her skill sets and experience is almost impossible to find, Galya's decision to hire this *babushka* to manage brigades of 20-something year-old-males was intentional. Efforts to add security guards (who often drank at work as well) or male supervisors to 'push' the brigades ended several times in physical confrontations and didn't seem to be very effective. Even if they were rude to 'the babushka' behind her back, the brigade members did show some deference to her and her abilities.

Elena's personal history is remarkable. She reminisced about surviving the aftermath of the Leningrad siege by living in a hole in the ground for almost two years with such detail that it brought tears to the eyes of everyone sitting in on our interview. She was also tough and could scold in a way only a Russian grandmother can. The combination of being a babushka, knowledgeable about bread baking, and a no-nonsense personality was an effective one. In this bakery it would be difficult for any manager to make changes short of firing brigade members and starting over as Galya would have preferred to do. The week prior to Elena's arrival there had even been a physical altercation between a shift supervisor and a worker who got caught engaging in what he had told me was his own 'little business,' which was absconding 80 kilo bags of flour and shuttling them to a friend's car for sale later by the kilo at a local market.

In general, there was a fair amount of other behavior such as taking long breaks, sneaking beer in the back room, or taking unnecessary chances with entire batches of bread by not closely monitoring the ovens, for which I could find no rationale explanation. Mostly workers would blame it on uneven temperatures in the ovens or make comments like "why should we do real work when they don't pay us real money"? This, of course, was not every employee's attitude. There were some brigade leaders who earnest and considered themselves artisan bakers (the original vision for the bakery) and some older workers that were very happy to be employed. It was the workers in the middle—mostly young and not well trained—that seemed to have the hardest time working at the bakery. Because I was a brigade member in Bakery #1 at the time Elena started, I can attest to the fact that a good deal of the worst behaviors decreased after her tenure began, and there was a noticeable decrease in ruined bread, better quality, and higher production rates for the brigades. However, brigade

leaders gave her only begrudging respect, which was mixed with a fair amount of resentment at being ordered around and made to do much of the maintenance, cleaning and organizing work that had gone undone for many months. Behind her back they referred to her as the ‘crazy old babushka.’

The employee satisfaction survey revealed that of Galya’s four enterprises and the two enterprises in the control group, Bakery #1 (*Goodtrade*) employees had the highest number of unsatisfied workers and were the most likely to leave in the near future. Interestingly, this all-male brigade factory (it used to be mixed-gender) also had the highest percentage of employees who were opposed to Galya’s involvement with politics. Though I was not able to pinpoint any particular reason for this, it may have been simple unhappiness with everything the owners did.

Galya is also very intentional about introducing her children—two in college and a third much younger—to the general public in background articles about her and her political campaign. She talks about how she loves her children how proud she is that they are ambitious and motivated and how proud she is that they have “never been without”. She is also careful to introduce her husband as a full partner in the business, a sportsman, athlete and loving father—all fairly typical campaign fodder for an election in a western capitalist country. What’s striking, in the Karelian context is how extraordinary her family’s success and standard of living is in comparison with the vast majority of citizens in Petrozavodsk. In this way, the Galya turned her election campaign into a referendum on her embodied vision for the future of Karelia. The next section talks specifically about her political ambitions and her run, fittingly enough, against a communist candidate for a seat on the local Duma.

5.4 THE POLITICS OF ACCUMULATION

Political activism in Russia is integral to capital accumulation and is in many ways indistinguishable from other business activities. Galya and a number of her peers (other entrepreneurs in the City were no exception. By 2001, holding political office in Russia was considered by many successful businesspersons to be a necessity. Motivations for holding office fell, according to my informants, into one of two categories: Those seeking personal enrichment through holding public office or those seeking to maintain and grow their wealth through development of democracy and a good business climate. As one entrepreneur put it:

It's not a secret that the majority of our deputies who are businessmen, the ones who actively defend their interests, do not care much about the problems of the city. The fate of the projects must be determined by economists, scientists, city mayors – those who are interested in the development of the city's economics and the replenishment of the budget.

Political rhetoric and campaign posturing aside, politicians in Karelia are sorted into these two motivational groups. First, as Galya's husband put it: "The only way we know our businesses and families will be safe is to work for our own interests from the inside". This perspective seems somewhat cynical when compared to Galya's own explanation of her primary motivation to run for local office, which was "taking a civic stand" and to work for regulatory reform and tax relief for small

business. Nonetheless she did note that any publicity or information about her and the campaign would ultimately be good ‘branding’ for her products:

We’ve had to move some staff around to other enterprises and now nobody is engaged in marketing. I have said that after elections we will focus again [on marketing/branding]...of course elections are a good school for marketing...after you advance yourself it is easier to advance your products. Therefore, I now think I will have a good return on my efforts, even if I don’t win the election.

A good example of this co-branding are the stickers she placed on her bread products touting twists on old Russian expressions such as “the Measure of a Man...” (again, a nice play on gender). The sayings were printed on small, neon colored stickers and affixed to the bread wrappers and cake boxes for weeks before the election. This stealthy campaign tactic—the notes did not include Galya’s name, but were tied into other campaign material and news articles about Galya and her companies—was one of a number of subtle strategies she used to augment more traditional campaign posters and mailings.

Galya also conducted campaign activities that fell outside of commercial activities associated with day-to-day operations of her enterprises. A critical part of her strategic positioning was to secure protection and influence beyond the normal ‘roof’ (*kreshe*) associated with paying for security. The activities insulate her from the regional and local government apparatuses that might, for example, decide to raise her rent or try to break her lease on her store or audit her books. Examples of these activities include formation of the Noncommercial League of Private Bakers discussed in Chapter 2, sponsorship of a new

pensioners club that was allowed to meet in the café (and get free cakes and tea) and where they met a variety of candidates, all of whom needed their votes and who would in turn be grateful for Galya's help. Galya also sponsored a local auto road rally team and even made charitable donations to support the city's summer festivals.

Other strategies were more direct and included old-fashioned patronage. For instance, she had a van affixed with campaign posters and a loudspeaker on the roof, which she filled with idealistic students who would do community service projects such as cleaning the notoriously dirty courtyards between apartment buildings. Campaign operatives following the van would secure promises of votes with promises for apartment entry doors that had code locks for securing the buildings. These apartment dwellers—more likely to be pensioners and vote for the communist party candidates—often could not afford, (or would not pay) for such communal amenities. The doors with locks and call boxes were a huge hit and Galya told me that she had set aside about \$10,000 for new doors in the downtown district.

Galya's robust campaign, which took place during the final third of my research, provided me a goldmine of information on Galya, and her extensive business interests and relationships, while complicating the research picture considerably. Galya used newspaper interviews to introduce herself and her family to potential voters and define what she believed should be central issues in the campaign. The published interviews—two of which I share and analyze below—were often verbatim my own interview questions to her, as are her responses. I have used the published versions because she wrote the questions, selected the order and provided the responses, which provides important clues to her sense of which issues are most pressing. The public discourse that these interviews represent reveal tensions around

class, wealth, gender and changes in Galya's own life as well as what she feels she needs to negotiate both for her political and commercial professional life.

The first interview is provocatively titled "*Who's Afraid of Galya L.*" and appears over the byline of a respected young female journalist, even though Galya wrote or at least approved both the questions and answers.

Question: Galya L.—Just like on the stage of the "Bolshoi" theatre, everyone can see you. If you sit down to table and you are surrounded by people straight away. Some of them will tell you the latest news, some will have a cup of coffee with you, and the others will just ask to borrow some money. This way of living turns your life into a series of get-togethers. Do you find time to live a normal life?

Response. I like this way of living. People from my circle come here; there always are a lot of students here. Here you can learn the latest news without having to go out into the street.

Analysis. The interview starts with invoking a famous cultural icon and is accompanied by a photograph of Galya and a well-known Russian actor sipping tea in her café. The goal is build-up the her café as a spot for artists, musicians and patrons to get together (*tusovka*), as well as young people who frequent the cafe during the day, all of which are important themes in Galya's political campaign and part of what she calls her 'image branding' for the cafe.

Question: Who are the people from your circle?

Response. It is the so-called middle class.

Analysis. This early reference to the middle class is important. Because stereotypes of Russian business men and *novyi russkiy* in Russia are overwhelmingly negative, Galya is careful to align

herself with what she says every Russian should have, which is reinforced with the next question and response. We also get, acknowledgement—by way of the question—of the importance of connections and one's circle of friends. Later in the interview she when name-drops a number of famous Russians who frequent the café, she credits a local friend and actor for bring these Stars to Petrozavodsk. This nod to the importance of social capital is a further way of acknowledging that her work is not extraordinary, but just making the best out of her circumstances.

Question. Is it middle by income or by mentality [outlook]?

Response: It's middle by income. Of course, in other countries middle class is the intelligentsia, office workers, owners of little firms, and all of them are well-to-do. Here, in Russia, middle class is represented by the owners of middle and small-scale business. Of course, when I am dressed in my mink fur, drive up to our café in my jeep, and come to meet my friends, who earn less than 2000 rubles a month, I feel uncomfortable. In a normal country with a normal economy everyone can afford it. And we must aim for this too.

Question. Yes, but it may be that in order to change things in our country, your circle—the people of the middle class—ought to stand out as some kind of a new formation? It is the middle class that began to earn money without the help of the State and support those who had to be supported by the State?

Response: At present the middle class is just being born. Yes, I feel that by degrees a lot of my associates actively participate in social and political life. Some of them are the heads of different funds, social organizations, some become participants of

political movements. I myself am the member of the party *Jabloko*.

Analysis. This is an important political statement. By unambiguously aligning herself with an opposition party against the incumbent government, she is directly confronting the ruling party in the government. Vasili is head of the *Jabloko* ticket, has significant political base in the Petrozavodsk city government, which shields Galya from politically motivated attacks on her businesses. Finally, the question itself—which is about supporting the middleclass—helps to align *Jabloko* with economic reform.

Question. A lot of poor people dream of becoming rich. You are a wealthy person. Does it mean that you've deprived yourself of a dream?

Response. Of course, there were times when I didn't have enough money to buy boots or fruit for my children. By the time when I was 30, I already had three little children. But money has never been an end in itself for me. Of course, it gives you a kind of freedom, but a business is not just a means of enrichment. All the money earned by the business is spent on the improvement of the business. Money turns into a mechanism of making money. Moreover, when I started my business, we've already had a car, a yacht (we built it ourselves) and a 100 square meter apartment (Volodja earned it after having worked for 15 years as a foreman on a building site). So my motivation was not a craving for profit but a pure commercial interest and mere curiosity whether I would succeed or not. One girl from the management of [the café] says: 'Why do we work at all, if even the heads don't need the money?'

Analysis. In this question and response two themes are apparent: First is a nod to her husband and how he was the breadwinner of the family for 15 years. And second, that they did not always have money—they earned it through hard work. This is an area where Galya was feeling a great deal of pressure during the campaign—labeled a mini oligarch and derisively called *nuvorish* by her main, communist party, rival, this question seeks to explain away her wealth. At the same time she was expressing a deep-seated belief in the efficacy of capitalism and the notion that a person can work his or her way to success. This is a theme she uses liberally in speaking to managers and employees.

Question. Tell me, how did you get acquainted with your partner not only in business but in life also, your husband?

Response. We were acquainted through sports. Volodja is a avid sportsman, no one has broken his record of 1982 in track and field. When both of us were university students, our team was sent to Tula for competitions. We met on the train and had a typical student romance, and a typical young family with a child and lived in the university's dormitory. When two younger children were born, we had already been living in a wooden house with stove heating. We wore *valenki* at home because it was very cold. Side by side Volodja and I have gone through everything. Soon we will be celebrating our silver wedding.

Analysis. Here she is advancing ideas of gender parity. Putting this question at the end of the interview brings potential voters back to the issues of the family. Also, she is making sure her husband is seen as masculine, which is extremely important at a time when Russian society and discourse is being pretty harsh

on post-socialist men and their role in raising families and solving problems (Kay 2005; Kuznetsov 2002).

A second interview in the same edition of the paper was labeled “*An interview not taken,*” and intended to provide an insider’s view on Galya, her business, and family, and maybe answer some questions people would like to know, but won’t usually ask. The interview reads in places like a gossip article and can be seen as part of Galya’s strategy to personalize her message and candidacy.

Question. Galya, can you say that you are a damned wench?

Response. Yes, I can say so. But why are men, who have and defend their own point of view, or who take action, considered strong and purposeful personalities, and women in the same situation are called “damned wenches”?

Analysis. Galya directly confronts the double standard she faces on a daily basis. In the early 1990s when the economy was in ruins, Gorbachev called for “women to return to their rightful place as wives and mothers and voluntarily give up their jobs to men” (Bridger 1996a; Wells 2003). This sentiment, especially as it relates to the idea that the implementation of Soviet ideology went too far in moving women out of the home and in the process emasculated men, has received a good deal of attention in the popular press and in media ads. Galya, in her public persona and dealing with elected male officials on behalf of her business, was continually challenged by men seeking to marginalize her efforts.

Question. Whom do you prefer to work with, men or women?

Response. I’m against discrimination (*smiling*). But the best cooks are men, best confectioners are men, best bartenders and waiters are men so let them stay in their places.

Analysis. A little cutting humor can go a long way in making her point that being a woman entrepreneur is difficult.

Question. Do you like to be in charge of everything?

Response. Galya: Not really... But I have to. Being in charge does not mean simply giving orders to people; it is a skill of seeing and solving problems, taking the responsibilities.

Analysis. The theme throughout her campaign and in all the background literature about her and her companies, as well as in her interactions with employees, she uses circumstances, and being at the mercy of circumstances, as the reason for being forceful and demanding change or performance. It is an example of how indeterminacies in power relations, brought forth by structural changes to the economy and how people make a living, can be used as leverage to justify a powerful woman's voice in the commercial and public spheres.

Question. Do you like to earn money?

Response. I'll give you a simple answer to such a simple question: yes. But it isn't the end in itself. You need money so that you won't have to think about it, it gives you freedom and chances for development.

Analysis. For Galya, money equals freedom and a chance for personal development. This question is designed to take the edge of her capitalist activities, which pension-aged citizens (the majority of constituents in Galya's district) still generally frowned upon.

Question. What was the first business that helped you to earn money?

Response. I don't know whether you can call it business but once (it was in 1992), when I was going home by car, I gave a lift to a passenger who offered me money for the lift. And for the reason that I had absolutely no money, I worked as a taxi-driver all evening. During that evening I earned more money than I got for a month of working as a doctor. That's enough, I don't want to talk about money anymore!

Analysis. This vignette is a great example of appealing to a populist sentiment or everyday condition people face. It reinforces that it was not ambition, but circumstances that drove Galya to become an entrepreneur.

Question Ok, then we'll talk about status. We'll talk about art and about the "stars" that you have to socialize with at the café.

Response I remember well the tour of Bulat Okudzhava⁶¹. It was his last tour. When he forgot his lines, the audience sang them for him. He and his family spent the next day at our summer cottage. Shevchuk⁶² is a philosopher and an absolute authority, but I must mention the inefficiency of having harsh rules. Even though alcohol was strictly forbidden, after the concert the group was filling the glasses with alcohol under the table so that no one could see. Grebenshikov composed a song in the green hall of "NS Café" and that night he went out into the other hall, and while the pianist played he danced with a patron.⁶³ And I absolutely cannot forget the dances that were arranged by Filipenko—all the staff of "NS

⁶¹ Bulat Okudzhava (1924-1997) Famous poet and musician. His 200 plus songs are a mixture of Russian poetry and folksong traditions. He was not overtly political, but was a truly loved Russian musician.

⁶² Yuri Shevchuk (b 1957) is a singer/songwriter who leads the rock band DDT. He is often accredited for being the greatest song-writer in present Russia.

⁶³ Boris Grebenshikov—was famous in the West for performing 'antisovetchiki,' music in the late 1980s. Known as 'Russia's greatest living songwriter,' he used to play in Russian underground clubs in the 1970s because he would not submit his lyrics to the government sensors.

café" remembered them!⁶⁴ Thanks to Gennadii Z., he introduced us to a lot of interesting people. Igor Guberman also left an unforgettable impression.⁶⁵ We were telling each other jokes and funny stories all night. Towards morning only two story-tellers were left: Guberman himself and my son. No one won because the dawn came. What do all these people have in common? They are interested in people, and their interest is true and startling. When "Agata Kristi" was leaving, the drummer, Andrei Kotov, said: "Seems strange, but our relationship is more personal than business-like".

Analysis. This response captures in a nutshell the 'vibe' or culture Galya has worked hard to develop at her café. These are some of the most famous musicians and artists in all of Russia—like having Dylan, Springsteen and Angelou, stop by to play and socialize with patrons at a local coffee shop. Beyond the true star power, the use of these artists is significant. Collectively the group embraces both tradition and resistance to the Soviet State. Finally, Gennadii Z, whom she thanks for making the introductions, is a local citizen who is part of Galya's personal circle of friends from their school days—showing the importance of everyday social capital.

Question. I have witnessed many times how people ask you: "Galya L, do you remember me?"

Answer. I have lived in this city for 44 years, there are people whom I studied with at school and at the university, there are people I trained with, people I treated while working as a doctor—I worked as a sports doctor for 10 years. Recently, when I was

⁶⁴ Alexander Filipenko (b. 1944) famous film and TV actor. A picture of Galya and Filipenko drinking tea fronts the interview quoted here.

⁶⁵ Igor Guberman (b. 1936) is a Russian-born Jewish writer and poet who has received a great deal of acclaim for his satirical rhyming poetry. His subjects include anti-Semitism, immigrant life and his own complicated relationship with Russia.

coming home from Moscow by train, a handsome young man came up to me and asked the same question. He was the famous football player Denis Zubko. We talked all night long.

Analysis. This question is intended to show Galya is a local person. The reference to her medical career is followed up on in the next question. Her response also, again, reinforces the importance of social capital.

Question. Why did you drop medicine and turned to business?

Response. There are quite a few reasons. Let's remember: the year of 1992 was the year of Pavlov's reform, food became more expensive, which really affected children.⁶⁶ I was working in a medical clinic for children in Drevljanka and saw trauma and problems that I had never seen before. It was all because of the lack of protein. The needs served as a kind of stimulus, a reason to think of our health, and especially of the health of my children. I have three of them. Besides that, I had a wish to fulfill myself in a new sphere.

Analysis. This response reinforces two central themes in Galya's campaign and in her management style—she's doing what she does for her family and she's doing in large part because of circumstances not of her making.

Question. Have you managed to be successful?

Response. Well, I'm satisfied with our results. Although, I have had to face a lot of problems. When we were planning the production of cakes and pastry, one man whom I really respected, the doctor at the sanitary-and-epidemiological center, said: "Galya,

⁶⁶ While the calamities that befell the Russian economy in 1992 could be attributed to Valentin Pavlov, he was in jail by January 1992 for his involvement in the aborted coup against Gorbachev.

stop and think about it—You're poking your nose into other people's affairs." But I was really self-confident then, and having set up "Bakery #1" and "NS Café", I wanted to fill our shops with original and beautiful cakes and pastry in a short period of time. And I'm still trying to do that. First of all, we rented a building then we repaired it. Then we got a certificate for the production. Then we realized that the space was too small and it took us another six months to find new space! Finally we found one, repaired it, set the equipment, but were allowed to produce only traditional biscuit-and-cream products. We entered the market with these, but all the stores were filled with cakes made in St-Petersburg and made by the new technology, exactly the one we were planning to use, but couldn't get permission to do so. The process of getting the permission to produce cakes with cream and soufflé took up about a year. At the same time we were trying to solve the problem with the personnel. Under the guidance of our technologist we had to train our own experts. We are still working on this project.

Analysis. The first part of her answer is probably in reference to an on-going battle Galya waged with the sanitation and licensing body that refused to give certifications for new products, even when all the ingredients were certified for a different product. It also could be referencing the simple fact Galya had no practical experience managing commercial bakeries when she started out. Galya believes the regulatory body is being pressured by formerly state-owned bakeries not to let her bring new products to market because they fear competition. The rest of the response is intended to humanize Galya—show how hard she works and the fact that she does make mistakes.

Question. But what is it all for?

Response. For the thrill of it.

Question. Seriously?

Response. Well, if speaking seriously... it might sound banal, but we want to live well, and we want our children to live well, so we have to work.

Analysis. Taking care of one's children, but also living well—being able to afford nice things and being middle-class both by income and mentality—these are themes from the beginning of the interview and are reinforced here.

Question. What do you want your children to be like and did they become what you wanted them to be?

Response. Yes, they did. When my eldest son, Ilya, was seven his teacher wrote in his record-book: "Does not know how to walk in line like everyone!" And it's good that all his generation does not walk in a line, everyone is different and unique. I love my children and I am proud of them. My elder son and daughter study at the university, and the younger one studies at school. They are different, each one has outlook of his/her own, but they all have the same values. All in all, they are honest, kind and respectable.

Analysis. Here Galya seems to be speaking directly to the issue of socialization of the next generations of workers. She encourages independence and finding one's own way. She's also sounding like a very typical Russian mom extolling the virtues of her children.

Question. Do you want to talk about the upbringing?

Response. There are two themes that I never talk about – child upbringing and repairs. I don't talk about upbringing because I'm not sure I know the proper ways and I don't talk about repairs they follows me everywhere. I will say, I like this rather banal definition of happiness: "you are happy when in the morning you want to go to work and in the evening you want to go home".

Question. On this optimistic note... I'll tell you a couple of things.

A successfully developed person, a successful businesswoman, a beautiful woman, a loved wife and a mother of three children – but God forbid I had such a way of living.

Response. At least it's not boring.

Analysis: The final question seems a bit self-serving, but that's probably because I know that Galya wrote the question. In the end, though, she does seem to be saying that despite all the challenges and difficulties she has faced, she is happy with her lot in life. Optimism is not something that a great deal of Russians have in 2001-02, but it was something that Galya felt was important for her political campaign and the branding and marketing of her enterprises.

When considering that the interviews are for public consumption and designed to win over the public for Galya the candidate, her answers take on additional significance. Her efforts in this area do not go unnoticed by her employees. In response to the survey question *“It's good that the owners/managers of this enterprise engage in politics.”* Nearly 50 percent of women employees, but only a little over one quarter of the male employees surveyed were in agreement on the question. About equal percentages of men and women were neutral on the subject. Men however were 2.5 times more likely as women to be in disagreement with the statement. In speaking with individual women, many were clearly impressed with the political campaign. As one young baker put it: “I just love all of her activism and energy.” She also noted that it was good that a woman was participating in the election.

Table 15. Employee Support for Political Activity

		Gender	
		Male	Female
	N=	11	45
		3	22
Agree (fully and partially)		27.27%	48.89%
		5	18
Neutral		45.50%	40.00%
		3	5
Disagree (fully and partially)		27.30%	11.10%
		2	1
Fully disagree		18.20%	2.20%

Percentage of employees who agree with the statement: “It’s good that the owner/managers of this enterprise engage in politics” (survey question #5)

5.5 ‘ALWAYS IN THE CENTER’

One of Galya’s campaign slogans for her 2002 campaign was ‘*Always in the Center*,’ a play on words denoting the physical location of her café, her political orientation and position as matriarch of the family businesses. She campaigned on a platform of pragmatism; her policy platforms were pro-capitalist, but the campaign relied on images, techniques and ideas that were socialist in nature; she ran her campaign from the front of the café, in the heart of downtown; and lastly, as the matriarch of the family and business interests, Galya was truly always at the center of things.

Beyond following Galya’s written material, perhaps the best way to gain insights into Galya’s political campaign and its implications was to spend some significant time at her café. The NS Café achieves her goal of creating a ‘democratic place’ to sit and have coffee with low-cost food and drink and floor-to-ceiling windows that create an open, light-filled atmosphere—a notable departure from the typically dark and foreboding atmosphere of many

Russian bars—and a reputation for being the place where politics, business, and the arts mix in a cocktail that local elites and most others find quite desirable.

The marketing slogan for the café—‘Life beats at the NS Café’ (a play off ‘heartbeat’)—is fitting because the place serves as the hub for the commercial, political, and social projects associated with Galya’s family. Much of the group’s business dealings are as seemingly open as the light-flooded restaurant. At any given time, members of the family can be found hunched over a table engaged in earnest conversation on everything from the day’s activities to planning for a visit from German factory representatives. Additionally, the dozens of state inspectors—from fire, to sanitation to alcohol control—that show up seemingly weekly, are asked to present their reports over coffee and croissants at the restaurant, thus making public what is often conducted in private and resolved with the passing of ‘envelope money.’ This practice, which leaves rather nervous-looking inspectors sipping coffee and waiting for Galya’s attention, lends credence to Galya’s emphatic claims that they go to great lengths to legitimately meet all government inspections and requirements.

The campaign was a public manifestation of the many struggles Galya goes through as a wife, business owner and mom. She turned her entire election into a referendum on her lifestyle, vocation, and values, and was soundly defeated in a three-way race between a communist and a candidate sponsored by the incumbent party in power. The communist won a clear majority, relying almost entirely on the pensioner support from a district in the heart of the city where they are the majority of the population.

Zaman argues that “...women’s multiple responsibilities and specific social locations as women and paid workers create a distinctive form of activism and political consciousness”

(2002: 121). She suggests that the intersections of family and their networks with other women create "double consciousness" as women and as workers. This chapter focused on the owners of capital, not workers, but this may make the notion of a double consciousness more important. I have argued that Galya uses her circumstances to help her assume a non-traditional role (and prerequisite power) outside the home, which Russian society may not, as evidenced by the public's rejection in the local election of Galya's careful public positioning as a mother and entrepreneur, entirely support. Although, to be fair it's hard to draw the firm conclusion that the voting public repudiated her orchestrated identity, as the demographics in her voting district include many pensioners that still always vote for the communist party candidate.

Returning to Moore's semi-autonomous social fields, despite the electoral rebuke, Galya has clearly used gender to influence certain fields to her advantage. Within her enterprises she uses the language and symbolism of capitalism wrapped in public and private discourse that centers upon a mother's duty to her family to create a range of hegemonic and brute-force control strategies that guarantee accumulation of capital at tremendous rates. There is also clearly a social field that is intertwined with the business network run by Vasili, which has created commercial relations that are market driven but have enforcement mechanisms rooted not in law or threat of coercion but ties of friendship and common interest. I would also argue that the creation of the League of Private Bakers, which many scholars would argue as evidence of civil society development (I would not dispute this), provides a mechanism to defeat or at least mitigate the power of the social field associated with the corrupt practices of the taxing and regulatory bodies of the state and local governments.

This chapter has illustrated a number of points. First, the politics and business are not clearly delineated in Russia, or probably anywhere else for that matter. Galya was running for office to protect her investments through the political system as much as she was running to market her investments to the public. Secondly, none of this activity is gender neutral. Where gender has traditionally stopped women from earning the same as men in Russia, this chapter gave examples of how Galya had turned gender into an asset, especially in terms of carrying out her responsibilities as a mother. Galya, Victor, and Vasili also all actively exploited the fact that while women had superb training, there were relatively few positions open to them to exercise leadership and skills. Creating a space for these 'golden' managers to excel has created new careers for many women while at the same time helping to develop and maintain an effective capitalist regime of accumulation. Finally, Galya's campaign seemed to seek validation for her hard work and the choices she has made in her life. To the extent the election can be seen as a referendum on a capitalist, consumer economy future Galya embodies, she has made good progress, but has a ways to go.

6.0 CONCLUSION

When the Russian Federation embarked on social and economic reforms in pursuit of a market economy in the early 1990s, (proponents of neoliberalism conflated markets and capitalism in a way that made even Adam Smith's market rationality seem benign [cf. Stiglitz 2003]), it dismantled the institutions and political-economic power configurations that had been responsible for controlling the Soviet-era economy. The results were well documented, devastating, and led to the "hypothesis of a pure market economy [being] discarded and replaced by a more eclectic analysis of the complementarities of State, market, norms, values, and even constitutional order" (North 2005:18).

The new policies made schemas, and thus structures, more transportable, which allowed individuals and groups to garner new or reformulated political-economical power in the pursuit of new livelihoods.⁶⁷ Entrepreneurial-minded individuals began organizing labor and production to create businesses that are now thriving within a flavor of capitalism that is emerging as a part of their efforts. The entrepreneurs have used their energy, imagination, western-inspired ideas, and very real Soviet-era structural continuities to effectively harness and reproduce an efficient workforce that allows for accumulation of capital at impressive rates. This dissertation focused on the activities of a small number of entrepreneurs, testing

⁶⁷ Sewell describes schema within the 'duality of structure' (Giddens's 1979) as being the 'virtual' aspect of structure, which is "generalizable or transportable procedures applied in the enactment of social life" (2005:149).

the observation that a capitalist economy in Russia was more easily attainable in the early 1990s in some sectors of the economy than most politicians, policy makers, or scholars acknowledged or understood.

To undertake this analysis, I made explicit several issues that often go unexamined, or left implicit, when studying formerly socialist economies. First, I set aside my own and indeed most western commentators' normative understandings of how Western businesses and entrepreneurs operate to help avoid orientalizing Russian business practices. In the case of Galya and Anna, a 'family business' is a good way to describe a small-scale version of what is sometimes called a clique, or clan, or simply criminal enterprise in discussions of businesses in the former Soviet Union. Second, I considered the domains of private and public not as fixed entities with defined roles, but free-floating, context-dependent concepts that have different meanings for different people. The distinction helped me avoid notions such as 'captured states' or failed sectors to present a picture of how important functions in the emerging regime of accumulation were being coordinated and by whom.

I also avoided particularization of Russia's capitalism. It is almost a truism to say that capitalism is unique in how it is implemented and accepted, rejected, or accommodated—it is a system that thrives on creativity and one that is incredibly responsive to initial conditions. While the detailed machinations of unique adaptations or resistances point to such influences as imagination, cultural flows (Appadurai 1996), and historically-arrived-at situations, they should not be taken as necessary and sufficient inputs to determine the trajectory capitalism takes at a given place and time. I focused on the underpinnings of capitalist circulation in Russia—the ways individuals, institutions, and sectors are coordinating a process, which at its essence seeks to reproduce social life through commodity production.

Before weaving together and summarizing the arguments and observations I have presented in this thesis, it is worth reviewing the theoretical framework I used to guide my research and analysis. The French Regulation School takes an interdisciplinary approach to developing a formulation of capitalism that relies upon Marx's analysis of how capitalist economies function, but stays away from Marxist political ideology that inevitably leads to a doctrine of liberalism set in opposition to political ideologies of socialism or communism. This school defines capitalism as, "...a legal regime, an economic system and a social formation that unfolds in history and that is built upon two basic social relations: the market competition and the capital/labour nexus" (Boyer 2007: 4). A central message of the Regulation School is that "understanding and explaining capitalism cannot be limited to a single discipline since the very resilience of this economic regime derives from its embeddedness in society and polity" (Boyer 2007: 3).

The Regulation School's approach, as I have employed it in the research and production of this dissertation, attempts to address three weaknesses Sewell (2005) associates with how structural analysis is employed in the social sciences: "1) recognize the agency of social actors; 2) build on the possibility of change in the concept of structure; and 3) overcome the divide between semiotic and materialist visions of structure" (2005:126).

At the center of the Regulation School model is the concept of a *regime of accumulation*, which describes the stabilization accumulation and consumption through the conditions of production and the conditions of reproduction of wage earners over a long period (Harvey 1990: 122). How such a regime is stabilized and managed is captured in their notion of mode of regulation—the "materialization of the regime of accumulation taking the form of norms, habits, laws, regulating networks" (Lipietz 1987 in Harvey 1990:122). I used

these concepts as a heuristic device to create ‘ideal types’ (Ringer 1997) to better understand the regime of accumulation being created and maintained by Russian entrepreneurs. The framework helped me focus on the structures and interplay of individuals with those structures as important forces in the organization of labor and stabilization of production and consumption in Russia’s economy.

Of course, none of the above is completely new ground for anthropologists. I would argue that the Regulation School builds upon a rich tradition of political economic theory and approaches in anthropology. Notable examples include Wolf’s (1982) project to infuse culture, history, and practice with issues of capitalism, class, and power; Roseberry’s (1988) call to insert human action into the structural frameworks of capitalism; Well’s (1996) work describing how a state and its legal system impacts class formation; or Ong’s (1987, 1991) work on resistance as it related to cultural constructions of status and social relations.

An important question the Regulation School attempts to address is whether the “sea-change in cultural as well as in political-economic practices [in the US] since around 1972 has resulted in a new regime of accumulation” that is more ‘flexible’ than the Fordism-Keynesian framework, which relied on specific labor control practices, production techniques, consumption patterns, and configurations of political-economic-power capitalism (1990:189). Harvey’s opinion is a qualified ‘no,’ but his answer may be less important than his approach to the question. Harvey (1990) and others documented labor processes, consumption patterns, and the systems of production in an attempt to pinpoint changes in Fordist-Keynesian accumulation regime. When the comparison is extended to the Soviet-era practices, deep similarities in terms of how labor and production were organized and reproduced are readily apparent. Importantly, the techniques or characteristics of more ‘flexible’ accumulation

strategies and corresponding modes of regulation are also present in post-soviet economy as well, suggesting that, stripped of its ideological baggage, the soviet regime of accumulation's form of wage labor and close coordination of production provided a solid foundation for capitalism to survive and indeed thrive.

This dissertation moved through important aspects of the development of a regime of capitalist accumulation and the mechanisms used by specific entrepreneurs to create and sustain it. I used Moore's (1974) notion of semi-autonomous fields to understand how different types of players, institutions and organizations influence the entrepreneurs to operate in a capitalist milieu. Moore makes the points that the fields often act in 'chains of interdependence' generating rules and coercing or inducing compliance to the rules, and that these are often more effective than formal or institutional rules. Both of these observations hold-up in the Russian context.

Because I had met sisters Galya and Anna in the early 1990s, and because I had access to them, their families, their businesses and extended networks from 1999 through 2002, their story is the heart of this dissertation. But they are hardly unique. There are thousands of women entrepreneurs with similar characteristics and with similar backgrounds and motivations throughout Russia (Wells et al 2003). The semi-autonomous fields, like the ones generated or engaged by these two women and their families, are significant in that they are being duplicated throughout Russia as independent businesses become increasingly more important drivers of economic growth, and thus continue to develop and solidify the structures and power arrangements necessary for capitalists' accumulation strategies to thrive. There are, for instance, 400 independent bakeries in the Samara region alone, and over 40

percent of the milk products market in that region is now in the hands of independent firms—up from 10 percent in 1998.⁶⁸

Speaking with Galya or spending time in her café in downtown Petrozavodsk, one begins to understand that the café, bakeries, and other businesses are about much more than simply making ends meet or even making money. Galya especially, as the leader of the family business, is selling a lifestyle and a middle-class future. The café embodies a future for ex-soviet intelligentsia as middle-class consumers that Galya wants to make as widely accessible as possible. At the same time she gives a decided nod towards nostalgia, as evidenced not only in her labor and production practices, but in such actions as her shameless name dropping of iconic musicians, playwrights, and social activists as patrons in her café, guests in her home, and, most recently, as guest acts in her newest venture—a jazz club on the east side of town.

Galya's imagination, relentless innovation, and eye for all things 'Western' helps create one of many modernities that can be found in Russia at present. Galya uses the café to provide lessons about competition, customer service, civic engagement, and charity work that she transmits to her managers and employees within her enterprises and to the larger community through the media, which she has access to in her extended network.

Contrasting examples provided by Galya and Victor show that they are engaged in creating and replicating a certain set of workplace rules and norms, while at the same time advancing a lifestyle and future based upon consumption of goods, images, and lifestyles. Galya draws on the notion of being a private firm and facing stiff competition to demand a high level of productivity and quality from her workforce. She uses the images and lifestyle

⁶⁸ BusinessWeek Online: October 16, 2000 Issue (<http://www.businessweek.com/datedtoc/2000/0042.htm>).

associated with the café to draw young people in to work for her. She also uses the pre-existing trade and secondary school infrastructure to find young workers and create career paths for them as part of their work experience with her. However, her efforts to stop theft and control the workforce tend toward authoritarian and direct control, versus the often more hegemonic, but paternalistic strategies, practiced by Victor. Galya's efforts to control inventory and manage worker time through the highly invasive inventory system do work, but the success reveals two things. First, as a negative, her long-term ability to build the allegiance of a steady workforce seems undermined by her harsh tactics, as measured by worker loyalty and satisfaction. But the efforts also reveal something about the workforce that may be a harbinger for the success of capitalist conditioning of the workforce. The workforce responds to Galya's techniques by turning inward and forming tight brigade 'collectives' that help to reinforce and ensure the success of Galya's methods. In contrast, Victor's employees show much higher fidelity to him and to the success of the company, suggesting that there is a range of control techniques that can be employed to ensure that the production side of the accumulation regime is maintained.

Galya also uses what I have called gendered capital—the power associated with controlling means of production that is strengthened through use of gender—as a control strategy with her employees and by extension a strategy for creating an effective regime of accumulation. The mix of gender and capital is a good reminder that capital is not a thing but a social process—for example, Galya's invocation of maternal obligations and historical circumstances as a justification for her role in the family and the business and her harsh management techniques. From the vantage point of Galya, her sister, and the entrepreneurial-minded managers they both hire and do business with, they are making the best of the

circumstances because they have to take care of their families. Galya and Anna's personal stories and career trajectories can be seen as a meta-narrative for the diverging paths men and women took in Russia's post-socialist era.

To be sure, there are also many successful Russian men, but with a life expectancy that is now only 59 years they seem to have suffered differently from the economic dislocations associated with the end of socialism.⁶⁹ They also don't have the same incentives women have to strike out on their own. In 2006, for example, Russian women held less than 10 percent of all executive-level jobs in the private sector and made about 37 percent less for the same work as men.

As a group, women also benefited from a first-class education, thanks to a socialist ideology that encouraged work outside the home in positions that, while not giving them top spots in business and industry, placed them in areas where their skills and experience would serve them well in a different regime of accumulation. This shift has a familiar ring in Russian society, where men are generally seen as the weaker of the sexes, especially when it comes to holding the family together. In a nice twist on the ideal of the soviet paternal factory director, Galya invokes her identity as a mother who is the principle breadwinner as a justification to treat workers harshly. At the same time, she cites "mothering instincts" in a more positive light as managers 'protect' workers by giving them breaks from the strict rules and fines because they see them as their young daughters. It's important to note that the woman's role in business is not uncontested. If the results of Galya's political campaign and the public dialogue she initiated are used as a proxy for the public's acceptance of her role as a business

⁶⁹ Fortune Magazine, October 19 2006.

woman, primary breadwinner, and embodiment of a future lifestyle, there is not consensus or even a plurality of support for her.

Galya also works with organizations and institutions in a manner that that can be viewed as supporting civil society, which is becoming another semi-autonomous field. Her efforts to provide herself with needed political cover or protection from the State apparatuses (e.g. tax police. health inspectors, etc.), which are often deployed against individuals and firms that are seen as aligned against the political establishment, can be seen in the founding of the League of Private Bakers and the Pensioners club. Galya pens opinion editorials that speak for the League and she has also used the league's collective social and financial capital to challenge predatory and retaliatory regulatory practices by the state in court. The success of her efforts in this arena has strengthened those institutions and buttresses an important aspect of the capitalist regime of accumulation.

Perhaps the most significant semi-autonomist field is that of the business networks—both formal and informal. Rooted in personal circles of friends, as well as newer ties forged during the early years of the transition away from state socialism, the groups play a vibrant role not only in the management of individual businesses and smaller networks, but in influencing formal institutions and structures that are vital to a capitalist regime of accumulation. Examples include using the trade school networks to train and create promotion paths for young workers, sponsoring the media outlets that allow for alternative opinions to be heard by the public, accumulating significant reserves of capital to be used for anything from political contests and legal challenges to unfair or corrupt government policies.

Russian entrepreneurs use their energy, imagination, western-inspired ideas, and very real Soviet-era continuities to effectively harness and reproduce an efficient workforce that

allows for the accumulation of capital. Business networks and groups within which these entrepreneurs operate—regardless of how nefarious (Volkov 2002) or benign and irrespective of the labels placed on them by commentators and social scientists—are one of the most salient reminders that the emergence, direction, and workings of Russia’s capitalist system is a product of socialist-era structures and relationships that entrepreneurs and employees alike respond to, and in the process modify, as they go about the business of living.

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APPENDIX 1

АНКЕТА УДОВЛЕТВОРЕННОСТЬ РАБОТОЙ

Целью данного анкетирования является выявить степень удовлетворения работой и обозначить резервы улучшения.

******Вся информация, собранная в результате анкетирования является анонимной, руководители предприятия не будут ознакомлены с индивидуальными анкетами.

I. Демографические данные

1. Возраст(обведите кружком):
17-21 22-25 26-29 30-33 34-37 38-41 42-45 45+
2. Пол: _____
3. Семейное положение: _____
4. Количество детей (обведите кружком): 1 2 3 4+
5. Сколько лет Вы работаете на данном предприятии (обведите кружком)
<1год 1+ 2+ 3+ 4+
6. Ваш ежемесячный доход из всех источников: (обведите кружком)
<1500р, 1501--2500; 2,501--3,000; 3001--4000; 4001--5000; >5000
7. Что из нижеприведенного точнее всего описывает Ваши условия проживания:
_____ Живу у родителей
_____ Живу отдельно (с моей семьей)
_____ Живу у бабушки/дедушки
_____ Снимаю комнату/ квартиру
_____ Прочее: _____

II. Образование:

- _____ Средняя школа
_____ Среднее специальное
_____ Высшее

III. Ваше мнение

Пожалуйста, обведите кружком один из ответов, с которым Вы согласны более всего, на нижеследующие вопросы: (обведите кружком)

1. Мне нравится здесь работать
полностью согласен не совсем согласен нейтрален частично не согласен полностью не согласен
2. Трудовые отношения в данном коллективе вполне здоровые
полностью согласен не совсем согласен нейтрален частично не согласен полностью не согласен
3. Моя зарплата вполне соответствует моей работе:
полностью согласен не совсем согласен нейтрален частичный не согласен полностью не согласен
4. Это хорошее место работы по сравнению с теми, где я мог бы найти работу
полностью согласен не совсем согласен нейтрален частично не согласен полностью не согласен

5. Хорошо, что руководители Вашего предприятия занимаются политикой.
полностью согласен не совсем согласен нейтрален частично не согласен полностью не согласен

6. Работать в частной компании лучше, чем работать на госпредприятии
полностью согласен не совсем согласен нейтрален частично не согласен полностью не согласен

7. Система штрафов и премирования здесь вполне справедливая
полностью согласен не совсем согласен нейтрален частично не согласен полностью не согласен

8. Я считаю, что от моего участия зависит качество продукции, которую мы производим
полностью согласен не совсем согласен нейтрален частично не согласен полностью не согласен

9. В течение следующего года я попытаюсь найти новую работу
полностью согласен не совсем согласен нейтрален частично не согласен полностью не согласен

10. Я бы сменил работу, если бы мне предложили там:

_____ на 300 рублей в месяц больше

_____ на 500 рублей в месяц больше

_____ на 700 рублей в месяц больше

11. Для нормальной жизни мне бы потребовалось _____ рублей в месяц.

12. Какие конкретные изменения Вы бы порекомендовали ввести на данном предприятии (в производстве; в принятии решений; в зарплате; прочее)?

IV. Ваше Потребление

1. Какая часть семейного бюджета тратится на еду? (%)
(<30, 30-50, 50-70, >70) _____ %

2. Какой (примерно) процент Вашего заработка Вы тратите каждый месяц на:

_____ % Продукты питания

_____ % Одежду, косметику и т.д. для себя

_____ % Предметы личного потребления

_____ % Оплату квартиры и коммунальных услуг

_____ % Развлечения (кафе, ресторан, пиво и т.д.)

3. Если Ваша зарплата увеличится на 500 рублей в месяц, Вы потратите эти деньги на: (Выберите два лучших варианта)

_____ продукты питания

_____ будете отдавать часть денег родителям на оплату квартиры и коммунальных услуг

_____ продукты питания для ребенка

_____ одежду для ребенка

_____ одежду для себя

_____ на развлечения (кафе, ресторан, пиво и т.д.)

Employment Satisfaction Questionnaire

1. Age of Respondent			
17-21	19	24%	
22-25	18	23%	
26-29	10	13%	
30-33	9	12%	
34-37	8	10%	
38-41	4	5%	
42-45	4	5%	
45+	6	8%	
Total	78	100%	
2. Gender			
Male	20	26%	
Female	58	74%	
Total	78	100%	
3. Married			
Yes	24	32%	
No	35	46%	
Divorced	17	22%	
Total	76	100%	
4. Children			
0	38	51%	
1	20	27%	

	2	16	21%
	3	1	1%
	4	0	0%
Total		75	100%
5. Number of years worked at enterprise.			
>1		26	35%
1+		11	15%
2+		19	26%
3+		11	15%
4+		7	9%
Total		74	100%
6. Current Salary Level			
>1500p		15	20%
1500-2500		20	26%
2501-3000		25	33%
3001-4000		9	12%
4001-5000		3	4%
5000+		4	5%
Total		76	100%
7. Current Living Situation			
Live with parent(s)		29	39%
Live with my own family		38	51%
Live with grandparents		3	4%
Rent apartment/room		5	7%
Other, please specify		0	0%
Total		75	100%
8. Education Level			
Didn't complete high school		3	4%

High School	16	21%
Trade School	44	57%
Higher	14	18%
Total	77	100%

9. Respondent Opinions					
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.					
	fully agree	partially agree	neutral	partially disagree	fully disagree
	23	27	6	16	1
			8		
1. I like to work at this place.	32%	37%	%	22%	1%
	30	25	11	7	2
			15		
2. The collective here is healthy.	40%	33%	%	9%	3%
	10	33	7	9	16
3. My salary corresponds well to the work I do.			9		
	13%	44%	%	12%	21%
	18	26	14	14	3
			19		
4. This is good place of work in comparison with other places where I could work.	24%	35%	%	19%	4%
	16	9	23	5	3
5. It's good that the owners/managers of this enterprise engage in politics.			41		
	29%	16%	%	9%	5%
	11	28	14	14	8
6. To work for a private company is better than to work for the government.			19		
	15%	37%	%	19%	11%
	12	23	18	16	8
7. The system of fines and rewards here is fair.			23		
	16%	30%	%	21%	10%
	41	14	9	2	6
8. The quality of what I produce depends on me.			12		
	57%	19%	%	3%	8%
9. In the next year I plan to look for a	20	14	21	5	11

new job.	28%	20%	%	30	7%	15%
10. I would take a new job if I could make:						
				6		
300r more per month		4	%			
				8		
500r more per month		6	%			
				18		
700r more per month		13	%			
				68		
Other, please specify		48	%			
				10		
Total		71	0%			
11. For a normal life I would need to make ____ r per month.						
70 Responses						
12. suggestions for improvement						
65 Responses						
13. Percent of household budget spent on food.						
				1		
>30		1	%			
				18		
30-50		12	%			
				28		
50-70		19	%			
				52		
<70		35	%			
				10		
Total		67	0%			
14. What percentage of your pay do you spend each month in the following categories? (Note responses recorded here reflect the two categories that received the highest percentage responses from each respondent on actual surveys).						

		92
Food/produce	66	%
		17
Clothing, cosmetics, etc for self	12	%
		11
Household goods	8	%
		47
Utilities and rent	34	%
		8
Entertainment	6	%
		11
Transportation	8	%
		0
Other	0	%
15. If your salary was increased 500r per month, in what two areas would you spend the money first?		
		28
Food/produce	20	%
		31
Contribute to rent and utilities	22	%
		27
Food/produce for children	19	%
		35
Clothing for children	25	%
		48
Clothing for self	34	%
		14
Entertainment	10	%
16. Enterprise Surveyed (question not on survey—coded by author for sorting purposes).		
		15
Bakery #3	12	%
Bakery #1	8	10

		%
		15
Independent Bakery	12	%
		27
Bakery #2	21	%
		14
North Star Cafe	11	%
		18
Food Distributor	14	%
		10
Total	78	0%